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# **A Study of Management Doctrines and Leadership Philosophies of Selected Organizations with International Missions**

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***“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.”***

Charles Darwin  
Naturalist and author of On the Origin of the Species

***“We have moved from a world where the big eat the small to a world where the fast eat the slow.”***

Klaus Schwab, Davos World Economic Forum,  
quoted by Tom Friedman, columnist and writer  
in The Lexus and the Olive Tree

***“We’re on a 21<sup>st</sup> century superhighway in a 1953 Ford.”***

Norval E. Francis, Jr., FE-MC  
Minister-Counselor for Agricultural Affairs,  
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## **Preface**

Organizations normally resist change until they are in crisis. This approach to adaptation was a reasonably successful survival strategy for most organizations until the last quarter of the 20<sup>th</sup> century. Since then, however, the pace of technological and social change has quickened such that crises more often than not overwhelm and destroy non-adaptive organizations before they can react. Today the average life expectancy of U.S. private corporations is less than 20 years, mainly due to their inability to react quickly enough to rapid change.<sup>1</sup> From 1979 to 1989, 187 of the companies on the Fortune 500 list ceased to exist or were absorbed into other firms.<sup>2</sup> The market place spares no sympathy for a private firm which cannot respond to new market conditions quickly enough. Clearly, the old model of corporate leadership and management jeopardizes corporate survival.

Why this is so is not new news. By 1992 Nadler, Gerstein, Shaw et al were able to publish a textbook on the need for dramatic change to the old model of running an organization.<sup>3</sup> They cited accelerating technological change, intensified competition, global oversupply of commodities, the emergence of globalism, rising consumer expectations, dynamic world economic competition, growing institutional ownership of corporations, and entry of women and minorities into the workforce as major influences. Note that their assessment, which *inter alia* stressed the growing importance of networking, was made in the pre-Internet era. By 1999 Friedman could vividly describe the impact on geopolitics and commerce of the interlocking influences of globalization, technological advancement, and empowerment of states, firms, and individuals through easy access to information—all within the previous ten years.<sup>4</sup> The rate of change continues to accelerate. An entrepreneur interviewed for this research project pointed out that the business world has changed in very fundamental ways in the last five years, i.e., since Friedman started his book!

The same dynamics hold true for government organizations. Of course, unlike a private firm dependent on sales to a fickle customer base, government agencies enjoy more breathing space to adapt to change. They are subsidized by the taxpayers. This is not to say, however, that government agencies are immune to change. An agency which fails at its mission, or performs it poorly, runs the same risk of disappearing or being absorbed as a private firm. It just takes longer due to bureaucratic inertia.

The Foreign Agricultural Service is demonstrating several symptoms of corporate decline. Quality of a core competency, the agency’s analytical capacity, is questioned, as indeed is the need for in-house, Government-funded commodity analysis given the rise of myriad private analytical firms. It is criticized for a perceived inability to respond promptly and thoroughly to the leadership’s demands for hard-hitting policy analysis.<sup>5</sup> The agency’s traditional surplus disposal mission may well disappear within the next few budget cycles, yet there is little planning underway for a post-surplus era. Parts of the agency have



obstinately refused to adopt modern management principles, resulting in problematic program administration and agreement negotiation.<sup>6</sup>

Some of these problems are not new. The Foreign Agricultural Service leadership has known about them, and simply chosen to do nothing about them. For example, the agency's weak strategic planning process has been criticized for over a quarter century.<sup>7</sup> The increased pace of change, however, makes these weaknesses a liability we can no longer afford to ignore.

Perhaps most troubling, as this paper will show, the Foreign Agricultural Service as a corporate body is unable to agree collectively on a coherent, shared vision, shared set of values, or even a shared mission. In other words, as a group we cannot agree on where we are going, what we stand for, or why we exist. This failing was identified at a leadership retreat over four years ago, but has yet to be acted on.<sup>8</sup> An organization in this position is ripe for failure in the face of crisis.

Weitzel and Jonsson identify five stages of corporate decline.<sup>9</sup> They are, in order, blindness, inaction, faulty action, crisis, and dissolution. Organizational performance can decline to the point of crisis and, if corrective action is not taken, the organization fails. Proper action at any of the first four stages can potentially restore the organization to successful performance, though waiting for each successive stage before acting tends to drive up costs. By the time the fifth stage is reached, however, no choices are left but to dissolve the organization.

The Foreign Agricultural Service currently finds itself in stage two of this model. We are no longer blind, we know we have problems that need to be solved, but we do not feel sufficiently pressed to act on them. That pressure will come soon, however, and we will then run the risk of faulty actions which only make the situation worse, ultimately leading to crisis and dissolution.

As just one example of coming pressures, the Office of Management and Budget has redefined the meaning of "functions deemed not inherently Governmental." This pulls into a gray area many of the activities of the agency, including such core competencies as commodity analysis and market development. While this particular challenge may not prove to be the tipping point for the Foreign Agricultural Service, it exemplifies precisely the nature of change to which the agency must adapt. If we cannot adapt, if we cannot change to something better, we will at best be marginalized or, at worst, dismantled.

### *Toward a Comparative Analysis*

Two major approaches to study of organizations exist: comparative analysis and systems design. Each has its advantages and shortcomings. "Comparative analysis is short on conceptual insights, strong on empirical work, and explanation-oriented; systems design is rich in insights, weak on empirical work, and normatively-oriented."<sup>10</sup> In simplistic terms, comparative analysis looks from the outside inward, and systems design looks at the inside from the inside. To get a full measure of how an organization works and why it works the way it does, one should approach from both directions. Comparative analysis contrasts the current state of an organization with a desired end state, identifies the gaps between the two states, and recommends actions to close those gaps. Systems design begins with process mapping, a laborious and time-intensive effort to identify and flowchart all business processes, then identifies ways to make the processes more efficient.

There have been three design studies to date of Foreign Agricultural Service (FAS) systems. The Export Credits program area commissioned a process map of the food aid program. This resulted in a series of recommendations for streamlining a process which at the time took nine months (i.e., three quarters of a fiscal year) to carry out. The e-Gov Task Force chaired by Frank J. Tarrant reviewed overall FAS functions with an eye to designing integrated technological systems to support them. Finally, the Naval Air Systems Command studied FAS processes from a broad-brush, systems engineering point of view as part of a knowledge management design project<sup>11</sup>.





These efforts are valuable and shed much light on how to improve the agency. However, Ackoff points out that this type of analysis can improve efficiency of a process but not its effectiveness, for it fails to ask whether the function being analyzed is the right thing to do in the first place.<sup>12</sup> As a corollary to that observation, by their internally focused nature these analyses are unable to answer the question, “What should the agency look like?” This paper, the first comparative analysis of FAS, is intended to kick off that discussion.

This paper reviews current research and thinking about corporate governance and structure, with emphasis on the changed nature of leadership and management in the workplace. Next it studies the management philosophies, leadership doctrines, and practices of six organizations with significant foreign components, and compares them to the Foreign Agricultural Service. It examines some of the intangible aspects of corporate governance and delves into selected tangible aspects (e.g., organizational design, technology, planning processes, decentralization).

Two of the organizations, the Central Intelligence Agency and the U.S. and Foreign Commercial Service, are Federal Government agencies with international missions. Two more are non-profit, charitable, public service organizations with extensive overseas activities: secular ACDI/VOCA and faith-based Catholic Relief Services. Two are for-profit, commercial enterprises: U.S. News & World Report, a media firm owned by an individual, and Bunge Ltd., an agribusiness corporation traded on the stock market. Information was collected both by reviewing available literature and through interviews of the organizations’ employees. By looking closely at these six organizations, we can compare the current state of FAS to their states and can perhaps discern end states toward which we might strive. The paper concludes with observations and recommendations for future study and action.

#### *Caveat*

Some caveats are in order. None of the organizations studied is without its own problems. The reader may be struck by this paper’s relative inattention to their difficulties. This is deliberate: the intended focus is on best practices, and what can be borrowed from them that might improve our own agency, not on what somebody else is doing wrong, too. Yes, misery loves company, but self-indulgence is not the point. These six organizations all succeed in spite of their problems, and learning how they do it is a major objective of this paper.

The examination of the six organizations may strike the reader as relatively superficial. Some topics the reader might deem relevant are either ignored or are covered only lightly (e.g., training doctrines, diversity policies, or leadership succession planning.) These gaps in the analysis are a consequence of the limited time available. The author had one month to research and complete a report on six disparate organizations plus his own home agency. What was gained in breadth was to some extent sacrificed in depth.

Finally, a good dose of realism is in order for anyone who thinks merely shoehorning a particular management practice into our agency will make us ready to face the future. The best strategic plan is worthless if the organization cannot implement it due to internal discord or external political pressures. A brilliant organizational chart is pointless if the employees assigned to the chart’s boxes are ill trained, unmotivated, and poorly chosen. A reorganization imposed without involving the rank and file in its design will be resisted and will fail.

Re-creating the Foreign Agricultural Service into an organization able to adapt to increasing rates of change will require deep thought, careful planning, bold action, assumption of risk, and good-faith efforts on the part of every employee in the agency. It can be done. We have the people—good people. We just need to tap their creativity and knowledge.





***“Basically, an organization is a group of people intentionally organized to accomplish an overall, common goal or set of goals.”***

Carter McNamara, Ph.D.  
Authenticity Consulting, LLC

***“Old organization forms and management methods are inadequate to cope with new problems in the emerging postmodern world.”***

Professor Richard Daft, Vanderbilt University  
in Organization Theory and Design

***“Management always matters, but in this more complex and fast-paced system, management and leadership matter just a little bit more...”***

Thomas L. Friedman, columnist and author  
in The Lexus and the Olive Tree

## **Chapter 1. Analyzing Organizations**

Organizations are outgrowths of the primitive military hierarchies of ancient kingdoms. In the 21<sup>st</sup> century, the structure of the private and public bureaucracy parallels almost precisely the U.S. (and indeed, universal) military rank and hierarchy structure. This modern military organization is merely an evolution of an 18<sup>th</sup> century Prussian model, itself an outgrowth of Roman and Greek models dating back to Alexander of Macedon. Even private corporations, with their chief executive officers, chief operations officers, senior vice presidents, junior vice presidents, division heads, and department chiefs, bear a striking resemblance to military units with their commanders, executive officers, staff heads, unit commanders, and so on. Structurally they don't look very different from one another.

And indeed, even within a military, civil or commercial organization, units with identical structures yield vastly different results from each other. Where do we look for insights into why some organizations succeed while others fail?

Given the proliferation of research studies by management professors, lecturers, and gurus, we can examine organizations from many theoretical points of view. In the interests of conserving space and time, we shall limit our examination to four of them. These perspectives are tangible dimensions, organizational features, context, and transformational process.

### *Tangible Dimensions*

According to Gerwin, organizations vary in terms of four dimensions:

- complexity,
- formalization,
- centralization, and
- configuration.<sup>13</sup>

These tangible dimensions are easily seen and measured. Complexity can be measured by the number of activities, staff qualifications needed to carry them out, and their variety and changeability. A large number of activities requiring the cognitive skills of college graduates and post-graduates (e.g., a hospital) implies greater complexity than does a firm with one activity requiring the cognitive skills of 8<sup>th</sup>-grade graduates (e.g., a janitorial firm). An agency like FAS, requiring high-level analysis in four dimensions<sup>14</sup> in support of multi-billion dollar decisions, can be presumed to operate in a relatively complex environment.



Complexity is closely related to professionalism, in that greater complexity demands greater professional qualifications, as a rule, and thus has profound implications for the way an organization is managed.<sup>15</sup>

Formalization is a measure of rules and procedures: standardization of procedures, automation, and quality control. This is critical to industrial processes and highly repetitive activities as well as other areas in which ability to duplicate a result is critical. High degrees of formalization are found today not only on assembly lines (which increasingly require highly literate and educable workers to operate sophisticated equipment), but also in such white-collar realms as cybersecurity (where system failure can lead to intrusions), law (where failure can lead to injustice), and diplomacy (where failure can lead to war). In FAS, this is found in, for example, production of monthly commodity circulars via the highly formal “lookup” process. High degrees of formalization are closely affiliated with bureaucratic control models.<sup>16</sup>

Centralization is measured in the level of decision-making authority granted at various levels of the organization. Highly centralized organizations reserve all substantive decision-making for the top level (Ackoff refers to these as “reactive” models of management, since they tend to regress to previous states of being rather than to progress.<sup>17</sup>) Decentralized organizations disseminate broadly the overall goals of the enterprise and push decision-making as low as possible to promote efficient and rapid pursuit of those goals. The military refers to this as knowing and executing the “commander’s intent”.

Configuration is measured by the vertical and horizontal structure of the organization. That is, configuration is the number of organizational units as well as the number of layers in an organization, and each layer’s span of control, i.e., how many layers of management there are between top and bottom, and how many people each supervisor oversees. Configuration also indicates the corporate pecking order: who in the organization formally possesses status and influence. The type of configuration can have a significant impact on how nimbly or sluggishly an organization responds to stimuli.

Configuration types have been well defined in Daft (2001), Nadler et al (1992) and (1997), and Davis and Weckler (1996). They are typically described in organizational charts, consisting of vertical chains of command and a combination of vertical and horizontal lines of communication. Groupings can be along functional, divisional (product), geographic, and other lines. Advanced forms include the “matrix management” model which, in its extreme form, is called the “boundaryless” organization.<sup>18</sup>

### *Organizational Features*

Intangibles also define an organization. McNamara specifies one set of these as “organizational features”:

- vision
- mission
- values
- strategic goals
- strategies
- systems and processes<sup>19</sup>

All viable organizations possess all of these in some measure. Not all write them down (i.e., do not operate at a high level of formalization) but have them just the same. Small organizations tend not to formalize these features but large organizations must, in order to make sure all employees are on the same page. For example, when Bill Gates founded Microsoft in 1977, his vision was of a firm which would produce the best computer language compilers available for as broad a spectrum of personal computers as possible. He did not write that vision down, but he communicated it orally to all five of his and Paul Allen’s employees.<sup>20</sup> A quarter century later, Microsoft articulates its current corporate vision in writing via multiple media to its thousands of employees, thousands of shareholders, and millions of customers.<sup>21</sup> Some medium-sized organizations can afford to dispense with formally documenting these features



because of high uniformity (coherence) of shared values, traditions, and beliefs. This is termed “clan control” and it can be quite powerful.<sup>22</sup> It is normally accompanied by very careful hiring of only those people who share the common values of the organization, and is typically found in highly professional occupations.

Organizations run into trouble when there is dissent within the organization over one or more of these organizational features, when one or more of them become obsolete, or when they are at sharp variance with societal norms. If you cannot agree on a vision of where you want to be, you will drift (are we a foreign affairs agency or a domestic agency with overseas outposts?) If ingrained corporate values are not consonant with your customers’ or the Justice Department’s, at some point you’ll get burned, as Arthur Anderson and Enron discovered. If your vision is obsolete and you do not adapt, you will not survive. Wang Laboratories, Digital Equipment Company, and Control Data Corporation learned this lesson the hard way.

### *Context*

A third way of looking at organizations is through the context in which they operate. Daft defines contextual dimensions in terms of

- size,
- technology,
- environment,
- goals and strategy, and
- culture.<sup>23</sup>

Size is reflected in the size of the workforce, not necessarily in volume of sales or production. Technology refers to what is used to transform inputs into outputs which are then delivered to customers. The environment includes all elements external to the organization, including the industry, customers, suppliers, and other elements beyond the organization’s control. Goals and strategies define the “purpose and competitive techniques that set it apart from other organizations.” They define the scope of operations and relationships with employees, customers and competitors. According to Daft, the culture is the “underlying set of key values, beliefs, understandings, and norms shared by employees.” He adds, “An organization’s culture is unwritten but can be observed in its stories, slogans, ceremonies, dress, and office layout.”<sup>24</sup>

Let us expand on one item on this list. Culture is the single most important, for alone among the contextual dimensions, culture can undermine an organization (as Enron proved) or can see it through times of great upheaval (as IBM learned). Culture can unify an organization or can divide it. Daft categorizes culture into *entrepreneurial*, *mission*, *clan* and *bureaucratic* models.<sup>25</sup> Most organizations possess hybrids of these cultures, with more than one model present in varying degrees. Paradoxically, most organizations do little to foster good or to moderate detrimental attributes of their corporate cultures, as they do not recognize a corporate culture’s innate power to motivate and guide employees. The reader is asked to keep these four cultural models in mind throughout the reading of this paper, as they are crucial to the understanding of what makes organizations function.

### *Transformational Process*

Nadler and Tushman (1997) view the organization as a transformational process, i.e., an entity which transforms inputs into outputs. This is a simple view of the organization, and it has only four components:

- work,
- people,
- formal arrangements, and





- informal arrangements.

Three of these components correspond loosely to certain counterparts in the other three theories. What Nadler and Tushman add are people, who are the core of any organization. We shall return to the people dimension below.

With these four perspectives we are almost ready to construct a comprehensive view of an organization. First, however, we must examine some externalities shaping today's environment.

### *Not Your Father's Organization*

The large organization is a relatively recent phenomenon. While the roots of organizational architecture lie in ancient military units, the current roots of motivation, management, and leadership schemes of many organizations, including the U.S. Government, lie in the Industrial Age and in particular to the rise of large, industrial enterprises in the 19<sup>th</sup> century. During the Industrial Age, a small number of well educated professionals oversaw the work of masses of relatively unskilled workers. Management did the thinking, planning, and deciding. Largely illiterate laborers in traditional smokestack industries worked shifts, punching in and out on time clocks, and performed repetitive, easily learned tasks requiring little training and almost no education. These jobs today are either moving offshore to low labor cost countries or have simply been automated. Robots don't take vacations, go on strike, or file workmen's compensation claims.

Until fairly recently management theory was based on the "scientific management" studies of Frederick Winslow Taylor published in 1911. This Industrial Age labor-management model is still reflected in the remnants of a "sort-and-select" U.S. public education system designed to send the best and brightest to college and the rest to trade schools to be trained for blue-collar jobs.<sup>26</sup> This system today yields a population with the lowest literacy rate of any developed nation; that is, one ill suited for the post-industrial Information Age. It is also reflected in the U.S. Government's insistence on maintaining labor-intensive "time and attendance" records for college-educated, white-collar, knowledge workers who are compensated based on time spent at the worksite (an input) and not on productivity (output). These two anecdotes illustrate the persistence of an obsolete Industrial Age command and control system. Unfortunately, the 21<sup>st</sup> century U.S. Government still has managers who adhere to and believe in this obsolete, paternalistic model.

This model is also reflected in the vertical structure of untransformed organizations. In a smokestack industrial enterprise, there was little need for workers in one unit of an enterprise to interact with workers in another part of the enterprise. The unit which poured ingots of steel did not need to talk to the unit which used those ingots to produce sheet metal. Management took care of those communication needs. In an Information Age enterprise, however, the "workers" are likely college graduates who synthesize information from multiple sources and generate integrated knowledge products. In today's environment, communication across the smokestacks is critical, but adherence to the Industrial Age organizational and management model inhibits it.

It gets worse. In the Industrial Age, managers were selected from the ranks because they were the best at their jobs. They were responsible for supervising workers (hence the term "supervisor") and were expected to be more technically proficient than the workers. In the Information Age, "...most employees can do their jobs better than their bosses can. This means that supervision is no longer the appropriate function of management. Their principal functions should be (1) to create an environment in which their subordinates are encouraged and enabled to do as well as they know how, and (2) to enable their subordinates to do better tomorrow than the best they can do today."<sup>27</sup> Unfortunately, most Federal managers are still selected for their ability to carry out technical tasks better than their peers, not because they are capable of creating a better work environment for them—and the vast majority don't even realize that this is their job.<sup>28</sup>





In a 21<sup>st</sup> century, knowledge-based enterprise, knowledge workers should be encouraged to interact. They should share information and be judged by the end product that results from their efforts, not on the volume of inputs (time and money) put into it. Managers should spend their time getting workers the resources they need and seeing that their needs for training and funding are met. Furthermore, workers should be delegated significant responsibility for program success as well as authority to see programs through to fruition.<sup>29</sup>

A few American private firms continue to rely on Industrial Age models of corporate governance. These include industries in decline, such as railroads, steel manufacture, and mining.<sup>30</sup> Unfortunately, they are joined by the Federal Government, which pays more to underperformers putting in overtime to make up for inefficiency than it pays to overachievers who get their work done ahead of time. The U.S. corporations which have shown the greatest growth over the past few years, though often organized along traditional, paramilitary lines where the org chart is concerned, depart from this model in their corporate governance.

What is that difference? Ackoff provides one clue in his discussion of democratic corporate hierarchies.<sup>31</sup> He distinguishes between “power over” versus “power to”, which in another context can be called “hard” versus “soft” power, respectively.<sup>32</sup> “Power over” (hard power) is the ability to exercise authority and implies coercion. This is the Industrial Age model of paternalistic management—the boss knows best, he can read and you cannot, so do as he says or get fired. Then there is the new model. According to Ackoff, “power to” is the “ability to induce others to do voluntarily what one wants them to do.” Reading this, one is reminded of President Truman’s adage, “A leader is a man who has the ability to get other people to do what they don’t want to do, and like it.”<sup>33</sup> In other words, the Information Age model of corporate governance involves leading people, not supervising them, and that is the crux of the issue. Inspire them, and they will follow. Tell them what the objective is, and they’ll figure out on their own how to get there. Give them the resources, and they’ll put them to good use. Tell them what’s important, they’ll do that first. Compensate them for productivity, and they’ll produce more. Make it fun, and the quality will rise.

Daft goes farther. He spells it out in terms of a changed paradigm: from vertical to horizontal structures, from routine tasks to empowered roles, from formal control systems to shared information, from competitive to collaborative strategies, and from rigid to adaptive cultures.<sup>34</sup> In each of these pairs, the former is the Industrial Age approach; the latter is the Information Age approach. Successful firms adopt the latter approach, needless to say.

Then, if we come back to Nadler and Tushman, we must also necessarily look at the people aspect. An Information Age workforce is not only literate, it tends to be educated and well informed, and thus to demand a greater role in corporate governance. Compounding that are the challenges posed by the post-Baby Boom generations, Generation X (born 1965-1981) and Generation Y (born 1982-1994). Tulgan refers to the “free-agent mindset” of the new generations, who view employment as a “week-to-week bargain...Success no longer lies in your position on any organization chart, but rather in marketable skills, relationships, ...tangible results bearing your signature..., and opportunities to balance work with the rest of your life.”<sup>35</sup> Bore or abuse your best talent, and it is more likely to depart for greener pastures than was the case a generation ago. Successful corporations cope better with generational change than do their less successful competitors.

With this as background, we can begin our examination of six different organizations. We shall examine each in terms of vision, mission, and values; planning doctrine; communication strategies; staffing policies; corporate governance practices; attitude toward technology; management of overseas posts; and corporate culture. Following that, we shall examine the Foreign Agricultural Service, as well.

An anonymous Federal employee put it well recently in a feedback session to upper management. We face, he wrote, a choice between remaining a “shrine to supervision” or becoming an “institution of innovation.”<sup>36</sup> The correct choice is clear.



**Table 1. Seven Organizations with International Activities**

Organization	Foreign Agricultural Service, USDA	ACDI/VOCA	Bunge Ltd.	Central Intelligence Agency	Catholic Relief Services	U.S. and Foreign Commercial Service	U.S. News & World Report
<b>Founded</b>	1953 <sup>1</sup>	1963 <sup>2</sup>	1818	1947	1943	1980 <sup>3</sup>	1933
<b>Corporate status</b>	Federal Government agency	501(c)(3) corporation	Publicly traded corporation (NYSE)	Federal Government agency	501(c)(3) corporation	Federal Government agency	Privately owned company
<b>Employees &amp; contractors</b>	~1,400	370	~24,000	Classified (~22,000?)	~4,200	~1,700	191 (179.5 FTE)
<b>Headquarters staff</b>	~1,000 <sup>4</sup>	83	40 to 50	Classified	~300	160	191 (179.5 FTE) <sup>5</sup>
<b>Foreign field offices</b>	100 offices, ~400 staff	38 countries, 318 staff	24 countries, 24,000 staff	Classified (130 countries, 3,300 staff?)	50 offices, 3,900 staff	160 offices in 83 countries, 1190 staff	2 retainers, 178 stringers
<b>Other staff</b>	~100 NPSC <sup>6</sup> , interns	4,500 volunteers		Classified	fellowship program		8 interns

Sources: Annual reports of ACDI/VOCA, Bunge, and Catholic Relief Services; interviews with staff of Bunge, Catholic Relief Services, U.S. and Foreign Commercial Service, U.S. News & World Report; Foreign Agricultural Service. Estimates for the CIA are from Kessler (1992)

<sup>1</sup> The first agricultural attachés with diplomatic status were posted in 1930 under the auspices of the Foreign Agricultural Service, a division of the USDA Bureau of Agricultural Economics. The first locally hired USDA "agent" was engaged in London in 1882, and the first agricultural "commissioner" was posted to London in 1905.

<sup>2</sup> ACDI was founded in 1963. VOCA was founded in 1970 as the Volunteer Development Corporation. The two merged in 1997.

<sup>3</sup> The first predecessor agency, the Bureau of Foreign Commerce of the State Department, was created in 1897.

<sup>4</sup> This figure includes direct-hire Federal employees as well as software development and network operations contractor employees, dedicated employees of other USDA agencies whose salaries FAS pays, and a few other contractor employees.

<sup>5</sup> FTE = full-time equivalent

<sup>6</sup> NPSC = non-personal services contractor



*"The future belongs to the organized."*

motto of the National Smallholder Farmers Association of Malawi, posted on the ACDI/VOCA website

*"From every perspective, matrix structures are complex."*

David Nadler and Michael Tushman  
In Competition by Design

## Chapter 2. The Non-Profit Matrix



### Overview

ACDI/VOCA ([www.acdivoca.org](http://www.acdivoca.org)) is a non-profit corporation organized under Section 501(c)(3) of the Internal Revenue Code. It provides economic-development technical assistance in foreign countries, primarily focusing on agriculture and agribusiness. Areas of expertise include agricultural production, processing and marketing; cooperative and association development; financial systems; international agribusiness development; natural resource management; and food aid delivery. The following is the lead statement of "The World of ACDI/VOCA," one of the organization's flyers: "ACDI/VOCA is a U.S.-based private nonprofit development organization that advances the pace of progress in emerging democracies and developing countries. Offering a comprehensive range of technical assistance services and strategies, ACDI/VOCA benefits small- and medium-scale enterprises—particularly agribusinesses, private and public associations, governmental agencies and others."

ACDI/VOCA was formed in 1996 via the merger of Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistance. The decision was taken in January 1996 to join the two organizations, and this was effected through merger of the two boards of directors and replacement of the two predecessor organizations' presidents with a new president in June. The organization employs 83 headquarters staff, 318 foreign field office staff in 38 countries, and maintains a database of 4,500 volunteers. Of these volunteers, 500 to 600 per year are typically dispatched overseas on short-term assignments.

The organization is owned by several grower-owned agricultural supply and processing cooperatives and farm credit banks, as well as some individual contributors<sup>37</sup>. It is governed by a board of directors representing the cooperatives, which selects the president. He hires the senior staff. They in turn hire their subordinates.

The merger brought together organizations with two different personalities, one focused on supporting volunteers, the other on competing for contracts and cooperative agreements. Reconciling the two different sets of attitudes took time and patience but was accomplished without significant pain.

### Vision, Mission, Values

ACDI/VOCA has adopted formal statements of vision and mission, and espouses a set of ethical values.

*Vision:* "To be the international leader in empowering farmers and other entrepreneurs worldwide to succeed in the global economy."

*Mission:* "ACDI/VOCA identifies and opens economic opportunities for farmers and other entrepreneurs worldwide by promoting democratic principles and market liberalization, building international cooperative partnerships, and encouraging sound management of natural resources."





*Values:* ACDI/VOCA has adopted a 16-point code of conduct which is published in its website. In addition, ACDI/VOCA subscribes to the United Nations Global Compact on international business ethics, and has adopted specific policies with regard to democracy, human rights, labor, and the environment. Though not consolidated into a single values statement, these documents taken together form a comprehensive set of values for guiding ethical decision-making. The new CEO of ACDI/VOCA is a former Boy Scout who has also introduced the values embodied in the Boy Scout oath and the laws of the Boy Scouts.

The vision and mission statements were defined by a committee of 12 members after the merger got underway. This work took about a month of part-time work, but the result was worth the effort. The entire organization backs the vision and mission statements, and they have not been modified since being adopted in 1997.

### **Planning**

A strategic plan was developed five years ago, and ACDI/VOCA is preparing to develop a new one. This time the organization will hire a professional facilitator to help with the effort. Country directors operate on the basis on project plans developed in response to funding sources, and they are based on proposals which are based on the overall plans of the organization.

ACDI/VOCA faces an upcoming challenge: probable revisions to the Internal Revenue Code which will obviate the tax advantages which accrue to cooperatives, putting them on equal footing with corporations paying dividends. The obvious implications of this new tax policy are forcing ACDI/VOCA to plan for a future in which cooperatives are no longer a major part of the agribusiness community. They have been included in the ongoing revision of the strategic plan.

### **Communication**

“Keep the message simple and transmit the principles clearly.” Regional meetings are held twice yearly with working level staff, including local hires, and are used to reinforce ethical guidelines, management doctrine, and to exchange information face to face. ACDI/VOCA has a robust Intranet which is easily accessible to posts with adequate Internet access, and all posts have Internet-based e-mail. Employees are encouraged to e-mail anyone in the organization, including the CEO, and he said he hears from drivers at some of the posts (whom he knows because he spends ten percent of his time on the road, visiting his posts.) All-hands meetings are called as needed.

The four operational divisions meet yearly with the field offices to go over plans. At the same time the organization’s core values, ethics and principles are reviewed.

The greatest communication challenge continues to be sharing of information across “stovepipes.” Managers are encouraged to “blanket the e-mail” channel, ensuring that all interested parties get copies of messages, and to assign responsibility to one person in each work group for keeping all parties in the loop. Meeting attendance is enforced to ensure communication, and managers are specifically instructed to carry messages back to staff from meetings. Due to ACDI/VOCA’s organizational structure, teamwork is essential to program execution at the country level.

### **Staffing**

ACDI/VOCA operates with a mix of full-time professional staff, volunteers, and outsourcing. Full-time professionals are needed because, as the CEO puts it, “You can’t contract it all out,” and you need an in-house ability to “communicate with other experts.” The organization’s professionals have diversified beyond the original core competency of agricultural economics to include other disciplines, including MBAs and other technical experts. Qualifications are quite high, sufficient to gain most of these employees positions in the academy if they so wished. One unintended consequence of this is the need for





openness and candor. “When you’re working with really smart people, you need to run a transparent operation,” the CEO said. “It’s more like a lab than a factory,” he noted.

Full-time staff operate either under contract or as at-will direct hires, both in the U.S. and overseas. Local hires (functionally equivalent to Government foreign service nationals) tend to be direct hires. Some of the local hires have had their skills developed to the point that ACDI/VOCA transfers them to other countries, employing them as expatriates and paying them expatriate pay rates. All employees operate under a letter of agreement spelling out compensation and benefits, conditions of employment and termination, and other specific employment policies. Rules and regulations plus “do’s and don’ts” are spelled out in a personnel manual. Severe breaches of rules are dealt with swiftly, normally through termination.

Travel arrangement is outsourced, as are insurance, legal counsel, and auditing. Payroll was outsourced for a while but was returned in house as payroll errors became a morale issue, and control of an in-house process was easier. ACDI/VOCA also occasionally subcontracts some food aid delivery tasks to other NGOs.

After the 1996 merger, two board members recommended a 20% cut in staff of the combined organization. The new CEO reviewed the staffing and found there was little duplication, and that in fact some administrative functions had been chronically understaffed in both predecessor organizations. He thus chose to merge with no job cuts. Attrition was normal, and one redundant staff member chose voluntarily to seek employment elsewhere, so that within one year staffing was where it needed to be—without demoralizing reductions in force.

### **Corporate Governance**

The Board of Directors, with 14 members, sets overall policy, but day-to-day management is exercised by the CEO and his Executive Vice President. There are several vice presidents in charge of various departments in the organization, broken out by program and geography.

ACDI/VOCA has unconsciously started to impose a matrix management model without creating yet the dual lines of authority (See Figure 1). In the case of this organization, it is a model which isn’t quite there yet; coordination is expected across geographic lines but there appear so far to be no penalties for failure to keep one’s peers informed of what one is doing across programmatic lines. The challenge is to make a matrix management model work, since ACDI/VOCA has both programmatic and geographic foci. This cross-sectional model of organization continues to create problems, as some program managers have not yet caught on to the need to keep other managers informed of their activities in a given geographic region. The solution may be either formal or informal, and will likely work out over time either through staffing changes (departure of uncooperative managers) or establishment of formal lines of dual reporting authority.

### **Technology**

“People carry the latest tools.” All overseas posts have Internet access and all employees have a personal computer, e-mail, and Internet access. Not all have cell phones but if one is needed, ACDI/VOCA provides one. This has led to a flattening of the organization, which CEO Deegan acknowledged eats into his time but which he welcomes. Technology facilitates information flow, and the payoff is improved focus on the mission.

ACDI/VOCA maintains its own computer network, including web servers, and has a well maintained public web site (extranet) as well as a good internal web site (intranet) for communication with employees.

### **Overseas Posts**

ACDI/VOCA has offices in 38 countries, each of which is headed by a country director. These are generally Americans and always an expatriate. Country directors are responsible for all ACDI/VOCA programs in a country, and will typically oversee multiple projects, each with its own project manager.



From management's perspective, the degree of autonomy of the country director depends more on the source of project funding than on internal ACDI/VOCA policy. A grant provides a high level of discretion in how a project is carried out, and typically focuses on final results. It will be governed by a plan of work and budget, both of which can be modified relatively easily. A cooperative agreement with a U.S. Government agency requires a statement of work, incorporates specific line items, and is more complex than a grant, but can be changed without formal modification. Contracts specify deliverables, carry burdensome reporting requirements, and can only be changed through a formal contract modification process involving a warranted U.S. Government contracting officer. This all means the country director must be able to adapt to the demands of the particular funding source, whether USAID, USDA, DoD, or a private foundation.

### **Corporate Culture**

ACDI/VOCA is a decidedly bureaucratic culture, though it is well decentralized with decision-making delegated to the vice presidents.

The organization relies heavily on volunteers, and this has a discernable impact on management policy. Volunteer management differs dramatically from management of paid staff, since volunteers are under no serious obligation beyond good will to continue an association with the organization. Thus, ACDI/VOCA managers bear their mantle lightly. ACDI/VOCA is also an organization closely affiliated with farmers, and that has an impact on the culture. Farmers are by their nature not pretentious, and are easily put off by pretention. Though Washington-based staff wear coats and ties within the office and though titles abound, there is an easy familiarity within the organization. The coats and ties are likely more a consequence of proximity to funding sources in the Federal Government, whose representatives more often than not wear coats and ties to work and expect the same of their contractors.

Overseas, ACDI/VOCA offices are considered "the place to go" for information on business planning, starting an agribusiness, or founding a rural financial institution. This in part is due to the openness and informality with which the offices receive visitors, and that, again, is an apparent consequence of the heavy volunteer influence as well as the nature of the overseas clientele. Volunteers rarely have a stake in standing on ceremony.

Some in the organization are still uneasy about the open communication style the new CEO has brought with him, but reluctance to embrace that change is normal in an organization making this sort of transition, even seven years later. Corporate culture takes at least that long to change.

### **Observations**

ACDI/VOCA's greatest strength is its high-quality, highly professional staff. When that is coupled with high ethical standards and decentralized management, it creates potential for rapid, professional response to opportunities.



*“You can only be decentralized, entrepreneurial, informal and practical and efficient if at the same time you can have a shared mission, strategy, incentives, teamwork, and values.”*

Alberto Weisser, CEO of Bunge Ltd.<sup>38</sup>

*“Hire for talent....”*

Bruce Tulgan, in Winning the Talent Wars

*“It don't take a genius to spot a goat in a flock of sheep.”*

Attributed to Will Rogers, humorist and pundit

### Chapter 3. The Transnational Entrepreneur



#### Overview

Bunge Ltd. ([www.bunge.com](http://www.bunge.com)) is a multinational, publicly traded corporation dealing in agricultural commodities, fertilizer, and processed foods.

The corporation has subsidiaries (companies) in the United States, Argentina, Brazil, and since acquisition of Cereol in 2002, is again present in Europe. These companies represent the vertical hierarchy of the corporation. Viewed horizontally, the corporation is aligned along three activities (agribusiness, fertilizer, and food processing) plus corporate responsibilities and special initiatives. Bunge sources commodities, mainly grains and oilseeds; processes and transports them, including delivery to foreign customers; producers fertilizer which it also markets, and processes commodities it handles into finished and semi-finished products. Like all commodity-oriented firms, Bunge has a market analysis section, and in addition to operational divisions has trading companies in 24 countries which collect market intelligence in addition to their marketing duties.

The history of Bunge is well documented in West (2002) and in Bunge's annual prospectus. In an era in which the life expectancy of U.S.-headquartered companies is under 20 years, Bunge is nearly 185 years old. Founded in Amsterdam in 1818 by Johann Peter Bunge, the firm expanded to South America in 1884, and to the United States in 1923. For years the geographic divisions operated independently of one another, and the South American units in particular diversified into a wide array of activities not part of the core business. This diversification became a liability when Argentina and Brazil opened their economies—protected industries were suddenly exposed to global competition. Bunge also discovered that its historic presence in Europe enjoyed no competitive advantage. Thus, in the 1990's Bunge sold off its European assets as well as the non-agribusiness units in South America. The firm used the proceeds of those sales to expand the core business in Brazil, to get into fertilizer production and grain origination, and to begin processing oilseeds into oil and margarine. In 1995 it began the transformation from a “collection of companies” to a corporation making money on logistical advantages and reductions in deadheading. In 2001 the agricultural commodity firm once known as the most secretive of the “five sisters”<sup>39</sup> went public, and is today traded on the New York Stock Exchange under the symbol BG. Current focus is on integration of activities, particularly vertical integration, since that yields good profit margins.

Today Bunge is active in 24 countries with over 24,000 employees, of whom fewer than 50 serve in the corporate headquarters at White Plains, New York. The chief executive officer, Alberto Weisser, is fifth-generation Brazilian, though he has strong ancestral ties to Germany and Switzerland and speaks German in his home. He speaks five languages fluently (Portuguese, Spanish, German, English and French). The





firm is tremendously decentralized, with many corporate headquarters functions delegated to subsidiaries located far from White Plains. Moreover, many staff functions are assigned to line managers as collateral duties, ensuring both that staff functions are performed in accord with line needs and that overhead is minimized.

### **Vision, Mission, Values**

For years, Bunge did not bother to articulate a vision, mission, or shared, core values. As a secretive, private, family-owned business, Bunge hired only people who shared the implicit vision, mission, and values. If you didn't fit, you either were not hired in the first place or were dismissed when the lack of fit became apparent. Corporate direction consisted of a largely unselfconscious combination of pursuit of profits and hiring of staff who shared the unspoken corporate values.

This changed when the current CEO took over, and Bunge went public. The Harvard Business School study by Jonathan West notes, "values such as integrity, openness and trust, teamwork, an entrepreneurial spirit, farmer and customer focus" were to be promoted.<sup>40</sup> They had never been written down, but today they are. They were articulated within the past 12 months as a distillation of the "inherent" values already shared across the organization. As one Bunge employee put it, "It is better to distill them than impose them." A strong communications program was implemented to get the message out, including visual (non-verbal) symbols as well as written statements. Each employee also has a formal section in the performance evaluation on values. Supervisors are required to evaluate their subordinates on how well they live up to the corporate values.

A corporate vision and mission statement have yet to be formally formulated. In the meantime, employees are aware they need to follow the Bunge strategic plan and to pursue profitability.

### **Planning**

Planning is considered "very important" since "if done well it's what drives growth." Planning at Bunge is an iterative process which has been split into budget planning on the one hand and strategic planning on the other. When the two processes were joined, Bunge tended to focus on budget planning, which resulted in focus on numbers and short-term objectives. Now there are two planning cycles, with a financial plan which looks at numbers and a strategic plan which steps back and looks at growth from a broad perspective.

Plans are required from business units, divisions, companies, and the headquarters. In some ways the planning process is driven by the field offices, since they are closest to the customer, the first to perceive change, and the source of capital investment opportunities. In this sense the field offices are viewed as a "pool of ideas". Their ideas are vetted at the division and then the company level, and if they demand a large enough resource investment, at White Plains headquarters.

In another sense, however, the plan is driven from headquarters. At White Plains, executives "have the time to ask where we want to be" in five or ten years. White Plains and the Board then select the projects put forward by the business units.

This iterative process rests on two important pillars. First, headquarters must understand "what's going on" in the world, which it can if it is listening to the field offices. Second, the field offices must understand the "overall goals" of headquarters, which they can if they are listening to headquarters. In short, communications between headquarters and the field are critical, and informal lines of communication are encouraged. Typically a business with a project proposal writes it into both the strategic and the financial plans, then follows up with "casual interaction" up and down the chain of command. The operative phrase at this point is, "no surprises." Comments or objections are initially fed back through a "soft process" so that when the formal project proposal arrives, it has not come out of the blue. In all cases, project proposals must fit with the strategic thrust of the organization.





Businesses proposing a project draft a project application (essentially, a scaled-back business plan or concept paper) outlining what is requested, requirements, an engineering analysis, and a financial model. This is floated to the division, which may assist with technical aspects of the proposal. Divisions can approve projects up to a certain level of funding. Above that level, projects must be approved at the company level, and above yet another level, must be sent to headquarters for approval. Proposals are vetted for soundness and strategic fit. Any project approved is implemented at the business level—if you thought of it, it's yours.

It is important to note that Bunge, as an entrepreneurial firm, is opportunistic by nature. Though Bunge has a strategy and seeks growth over the long term, sufficient flexibility has been built into the system that opportunities can be seized as they arise.

Strategic planning at the corporate level is facilitated by outside consultants to challenge what the leadership thinks. Companies draft their own plans, extrapolating from the past in the initial cut, then play devil's-advocate games, "throwing curve balls" to see how the plans hold up. In other words, while numeric analysis plays a role in strategic planning, brainstorming and playing of scenarios are a large part of the exercise, too.

### **Communication**

Until it went public, Bunge was considered even more secretive a grain trader than Cargill (which is saying something.) One consequence of the secrecy culture was that companies within the corporation withheld information not only from each other, but also from other units within the same company.

The new CEO has exerted great efforts to open up communications, as he found the independent subsidiaries were functioning without a sense of shared mission. In his own words, "to be competitive on a global basis, you have to have an aligned mission. Especially since our business is global, you cannot have regions going in different directions. It might have been fine in the past but in the current environment where the business is so global, you have to be aligned."<sup>41</sup>

One reason more open communications can now be tolerated is that secrecy in the grain trade is no longer as great an issue as it once was due to proliferation of buyers. When the Soviet Union in any given year might account for half of total world grain imports, as one Bunge employee put it, Michel Fribourg (chairman of Continental Grain) going to Moscow was major news. In those days, there was one buyer in Moscow and there were three buyers in China. Today there are hundreds in both Russian and China, and the global market structure has changed.

At a formal level, the executive committee meets six times per year, twice in White Plains and four times in other locations.

A leadership development program was begun this year in two locations, Washington University in St. Louis and at a university in Sao Paulo, to bring along the next generation of corporate leaders. Also, the top 60 to 80 company managers meet for three days each year, usually with a facilitator (such as Jonathan West of Harvard, author of the Harvard Business School study of Bunge.) These meetings are devoted to "big pictures" issues, and in past years they have included biotechnology, building of strategic alliances, and teambuilding. In the last case, the executives were surprised to learn that the published agenda was a sham. They were assigned to teams (some of which consisted of members with no common language) responsible for conducting water-borne search and rescue operations. Aside from having a great deal of fun on the water for three days, these executives learned a great deal about each other, developed communications skills, and bolstered the executive network.

In the view of the corporate communications director, Bunge has made great strides in becoming more communicative internally since going public but still has work to do. That having been said, informal



communications lines are open, cross-functional teams have been created, and internal integration has begun. Bunge is aware of this need and is spending both time and money on it.

One executive pointed out, “You don’t ever turn a source of information off.” Bunge lives on information, good and bad, and so communication from any field office is encouraged. If it turns out to be bad data, it is discounted, but the source is never discouraged from reporting.

### **Staffing**

As mentioned above, many corporate responsibilities are assigned to subsidiaries. Human resource management is one of them, and this responsibility is borne as a collateral duty by a 35-year veteran of Bunge commodity trading who also serves as Bunge Global Marketing’s “commercial coordinator”. In other words, Bunge has entrusted recruitment and hiring policies to a person who is not a personnelist, but who knows precisely what the organization is looking for in the way of talent. Bunge looks for bright, college-educated, young people. They don’t necessarily have to know anything about agriculture—Bunge will train them—but smarts, character and drive are absolute musts. In particular Bunge looks for MBAs, but makes exceptions.

There are two intake routes. The first is top-quality MBAs and graduates of good schools with good credentials. The other route is “word of mouth”, individuals recommended by a trusted source.

Total employment of Bunge Ltd. is about 24,000. Employees serve at will, subject to host country labor law. The bulk of employees are direct-hire.

### **Corporate Governance**

This is clearly an entrepreneurial corporate model. Bunge’s general philosophy is that centralizing management undermines entrepreneurship. Bunge has accordingly adopted a global matrix management model, also known as a “transnational model”<sup>42</sup> with geographic subsidiaries (companies) forming the vertical chain of command and product-oriented businesses forming the horizontal linkages.

When Alberto Weisser took over Bunge, corporate headquarters staff was 35. It has now crept up to between 40 and 50. This is an extraordinarily small number for a corporation with 24,000 employees and \$20 billion of turnover.

Bunge does it by delegating corporate responsibilities to the company level. For example, the CEO of the Argentina division is also responsible for the current information technology initiative, and serves effectively as the corporate CIO. As one Bunge employee said, “There is no reason for him to be in White Plains.” The corporate CIO could be anywhere, and this particular executive happens to be a computer whiz. He performs this duty in addition to overseeing all operations in Argentina.

The corporate audit staff is in Sao Paulo. It reports to the chief financial officer in White Plains, but operates out of Brazil. Treasury fundraising is conducted out of the St. Louis office, since it had the best staff for that sort of operation. Again, there was no reason for that particular activity to be located in White Plains, so a unit that did it particularly well was assigned responsibility for the whole corporation and expanded so it could handle the added volume of work. As another example, the North America operations head runs the product quality initiative.

Two benefits of this approach spring immediately to mind. First, company-level executives (potential future corporate executives) are forced regularly to think in global, corporate terms. Second, corporate initiatives are subjected to a reality check at the company level before they come to light. These are powerful advantages under conditions of rapid change and stiff competition.



There are additional consequences. Bunge operates on a team basis, with decisions emerging from persuasion, not fiat, as one executive put it. Decision making is surprisingly rapid, due to pressures to make money, but bad decisions are exposed and thus avoided by the team approach.

Management dogma tells us the matrix management model is the most difficult to implement and that it demands the highest competence in management of any modern model. That Bunge makes it work, and work well, is a tribute to excellent management skills as well as the atmosphere of collegiality, teamwork and mission focus the leadership has fostered. These have not occurred by accident, but rather have required significant investment of time and money. These are lessons worth studying closely.

### **Technology**

Technology is most visible in communications, which is hardly surprising for a company so dependent on current market intelligence. Bunge uses Lotus Notes for electronic mail. Other than that, however, Bunge appears to have room for improvement in its information technology, which the Harvard Business School study terms "a particularly challenging area." Excluding e-mail, Bunge has no shared information system across the corporation, and executives are reportedly aware that potential exists for capturing value currently lost in information that is dispersed across the corporation. Given the capacity of Lotus Notes for both document management and encryption to secure sensitive data, implementation of this type of system should be relatively easy, assuming the corporation decides to take that course.

### **Overseas Posts**

Bunge is active in 24 countries. These include both trading operations and countries with processing or commodity handling facilities. In North America, Argentina, Brazil, and Europe, a senior executive oversees all operations falling under his subsidiary's control. In other countries, the Bunge presence may consist of a local representative and small trading staff. These are usually locally hired employees.

### **Corporate Culture**

Bunge represents an almost purely entrepreneurial culture, to the point that consultants (Booz Allen, in this case) are brought in to challenge managers and executives and make them think in radically different ways about their business. In the world of the bottom line there are severe penalties for inaction when opportunity presents itself, as well as for incorrect action when a bad decision is made. One manager added that there is no longer a "God-given right" for grain trading companies to exist, as there had been from the early 1800's until 1995 or so. "It's a totally different scenario," he said, as the business world has changed in the last five years in very fundamental ways.

One aspect of this was an executive's comment, "We have an organizational chart but we don't want to spend a lot of time on it." There is work to do and there are opportunities to make money, and that's where the time goes.

### **Observations**

Bunge, a firm founded in Europe nearly two centuries ago, at one point liquidated its assets in Europe because they didn't promise as much profit as would selling them and investing the proceeds elsewhere. Sentimentality does not run deep in a private trading firm, unless one counts sentimentality for the positive bottom line.

That is not its main strength, however. Bunge focuses on hiring the best people it can, then hands them high levels of responsibility. The current efforts to integrate operations and to develop a rudimentary knowledge management infrastructure are little more than strategies to leverage the high competence of Bunge's professional employees. By hiring well then decentralizing around a strategic thrust, Bunge is able to move a massive organization in one direction while promptly capturing opportunities along the way.



The ability to make a matrix management model function well, particularly as a transnational, is a sign of an extraordinarily well managed firm. Bunge invests a great deal of time, money and effort to ensure teamwork at all levels of management, and reaps great benefits from that.





*“...the single best predictor of overall excellence [is] the ability to attract, motivate, and retain talented people, and CEO’s say organizational culture is the most important mechanism for enhancing this...”*

Professor Richard Daft, Vanderbilt University  
in Organization Theory and Design

*“A faith-based organization is different from a non-faith-based organization.”*

Paul Miller, Director,  
Policy and Strategic Issues, Catholic Relief Services

*“What would a just world look like?”*

from Catholic Social Teaching

#### Chapter 4. The Faith-Based Mission Culture



##### Overview

Catholic Relief Services (CRS, [www.catholicrelief.org](http://www.catholicrelief.org)) is a faith-based, private voluntary organization organized under Section 501(c)(3) of the Internal Revenue Code. It is wholly owned by the United States Conference of Catholic Bishops.

Principal activities include emergency relief, socio-economic development, and, more recently, instruction in moral and ethical values. At the present time the emphasis is on justice. CRS delivers goods (food aid, relief supplies) and services (development projects, advocacy), and works in partnership with organizations as varied as the United States Government, CARITAS, the United Nations World Food Programme, and local churches.

The organization was founded in 1943 as War Relief Services and functioned to some degree during World War II as a private, emergency relief agency of the U.S. Government, which provided most funding (and which to this day provides over half of CRS’s funding.) After that war, CRS branched from Europe into Africa, Asia and Latin America, and during the 1950’s expanded beyond emergency interventions to sustainable development initiatives. The organization’s early history has been well documented in Egan (1988) and Egan (1995).

CRS is today active in 87 countries with 4,200 staff, of whom only about 300 are based at the headquarters in Baltimore, Maryland. The president and chairman of its board of directors is a bishop appointed by the president of the Conference. The board of directors, also consisting of bishops, is elected by the full body of U.S. Catholic bishops. Day to day, the organization is led by a lay executive director assisted by an executive management team. Overseas operations, headed by country directors, are directly supervised by nine regional directors, eight based overseas and one (for Latin America) based in Baltimore, who report to a deputy executive director.



## **Vision, Mission, Values**

*Vision:* “Solidarity will transform the world to: cherish and uphold the sacredness and dignity of every person; commit to and practice peace, justice and reconciliation; and celebrate and protect the integrity of all creation.”

*Mission:* “Catholic Relief Services gives active witness to the mandate of Jesus Christ to respond to human needs in the following ways:

- by responding to victims of natural and man-made disasters;
- by providing assistance to the poor to alleviate their immediate needs;
- by supporting self-help programs which involve people and communities in their own development;
- by helping those it serves to restore and preserve their dignity and to realize their potential;
- by collaborating with religious and nonsectarian persons and groups of goodwill in programs and projects which contribute to a more equitable society;
- by helping to educate the people of the United States to fulfill their moral responsibilities in alleviating human suffering, removing its causes and promoting social justice.”

*Values:* CRS publishes a formal set of “guiding principles” (see their website), but these are rivaled for visibility within the organization by the core values of Catholic social teaching on which they are based. Those are:

- dignity and equality of the human person,
- rights and responsibilities,
- social nature of humanity,
- the common good,
- subsidiarity,
- solidarity,
- stewardship, and
- option for the poor.

These values are applied in very concrete terms. For example, the concept of subsidiarity calls for protection of the basic rights of the individual. It is interpreted to mean that large, authoritative structures should not replace or impinge on smaller communities or individual initiatives. This in turn is the foundation for CRS’s decentralized management approach. Decision-making authority in CRS is pushed to the lowest practical level, a policy directly traceable to the organization’s core value structure.

While these values and principles are based in Catholic teaching, CRS management stresses to its multinational staff that they are a Catholic interpretation of universal law. One does not need to be a Catholic or espouse Catholic catechism to work for CRS, but one must be able to apply the universal moral and ethical guidelines Catholic Social Teaching describes.

### **Planning:**

Strategic planning was introduced to CRS headquarters in 1994/95, and has been practiced in the field offices since before then. The current strategic plan, rolled out last year, uses a standard methodology, the “balanced scorecard” approach (see the Balanced Scorecard Institute’s website at <http://www.balancedscorecard.org/>). The plan was prepared with broad participation across the agency. This revealed that while the methodology was appropriate for headquarters, it was problematic for the field offices. Ultimately, balanced scorecard planning was not imposed on the field offices, but they are nonetheless required to submit a strategic work plan which conforms to the overall objectives of the CRS strategic plan.



Each regional director and country director drafts a plan which is vetted and approved at headquarters. The country plan supports the regional plan, which in turn supports the CRS agency-level plan. Decisions are taken locally based on the plans.

The local plans, once approved, lead directly to decisions on projects. CRS's program quality experts advise on program and project development but do not have any authority over projects, given the high level of decentralization in decision-making. Big-ticket projects (over a half million dollars) are reviewed by technically qualified CRS employees in the region or headquarters who are not subordinate to the country director proposing the project. The regional director will sometimes also review such projects. The peer reviews are intended to provide technical recommendations for improvement, not as go/no go processes. Projects are rarely referred to Baltimore for decision, and then only when the project potentially involves an operational decision with strategic implications. An example of this might be a decision on accepting project financial resources from a firm, association with which could potentially damage CRS's reputation.

One manager stressed that the objective of strategic planning is to "guide but not to constrain." Another stressed that it is having a profound impact on decision-making, as the process drives both resource allocation and accountability. "Here are the objectives and the indicators, did we meet them?" is the operative question. Performance evaluations of personnel are written based on the plan's objectives and are linked to the employees' development plans.

All CRS staff were given the opportunity to learn about strategic planning. Power Point and video presentations were shipped to the field offices, and additional training followed at the regional level. Every six months the regional directors convene in Baltimore for consultations, where the plan is discussed and implementation is reviewed. The new methodology is a sharp break from past planning practices, and in the words of one CRS manager, the agency "didn't retrofit the old way to a new nomenclature."

This is evident in reactions of some managers to the new planning model. The transition to a new planning model "is still a challenge;" some country plans are "too vague" and others are little more than a "rehash of the old approach to planning." Priority-setting reportedly remains confused, though the message is sinking in that the strategic plan drives the budget, and once approved, a budget with a plan empowers decentralized decision-making. Another issue is the lack of metrics for new programs in advocacy and civil society. Program performance cannot yet be measured.

Another manager said, "Not everyone and not yet," when asked about the level of awareness of the importance of planning among employees. Some dissent also still exists over the focus of the plan. Though buy-in to the process is still an issue, CRS management is aware of and actively working on it. One manifestation of this was appointment of a deputy executive director for strategic issues.

### **Communication**

The nine regional directors convene in Baltimore twice yearly, in January and June, to go over priorities and big-picture issues. Catholic Relief Services publishes a monthly employee newsletter, *CRS World*, and makes heavy use of the agency intranet, external web site, and e-mail to communicate internally. Since the operative principle is decentralization, there is a heavy burden on the regional directors to ensure information flow between the field and headquarters.

There is no formal feedback process, but communication seems relatively open across the organization. One manager commented that feedback from national staff to headquarters on an underperforming expatriate field employee is taken seriously, and has resulted in removal of expatriate staff when verified. "There are so many people with eyes," the manager remarked, including Catholic clergy, visitors, and visiting supervisors, for a misbehaving or poorly performing country director to hide deficiencies for long.





There is heavy use of visual reinforcement of the mission: artifacts from overseas work decorate the office space, computer screen-savers reproduce the corporate values. Subtle and not-so-subtle reminders abound.

### **Staffing**

Catholic Relief Services employs a worldwide, multi-ethnic staff of approximately 4,200. In terms of religious faith, CRS employees profess a wide range of beliefs, including Judaism, Islam, Hinduism, and a multitude of non-Catholic Christian denominations. The employment model includes full-time direct hires, part-time, short-term (less than one year), temporary (less than six months), fellows, and consultants. Consultants correspond to U.S. non-personal services contractors, as they are paid for deliverables and not for their time. CRS does not employ interns but has a fellowship program similar to internships. Staff positions are also differentiated by location: domestic (U.S.-based), international (U.S. and non-U.S. expatriate professional employees), and national (equivalent to U.S. Government foreign service national and third-country national employees.)

Employees serve at will. That is, they may be dismissed relatively easily for cause or nonperformance. An underperforming employee is typically downgraded and given an opportunity to acquire necessary skills before being dismissed, but only once.

Accountability is achieved through a newly simplified performance plan. Supervisors and subordinates agree on five major objectives for the year which can be measured.

Most headquarters employees have served in overseas field positions, with the major exceptions being administrative support functions (finance and human resources) in which technical staff members could just as well be working for any other Baltimore-based company. Ex-field officers based in Baltimore seem to view themselves as field officers between assignments. They are considered especially valuable because of their field perspective, as well as their generalist point of view.

CRS tends to hire only people with some overseas experience for its overseas positions. There is no discernable tension between field and headquarters officers, even those without field experience. Conscious effort is expended to make those in support roles aware of the importance of their contributions, and visiting field officers are pushed to acknowledge these staff members' contributions to the overall success of the agency.

### **Corporate Governance**

The domestic headquarters staff of about 300 is headed by an executive director assisted by an eight-person executive management team. This team includes a newly appointed chief of staff, a chief financial officer, and the director of human resources plus five programmatic deputy executive directors. This team meets every two weeks to discuss big-picture issues and progress on the strategic plan, and schedules special meetings on specific management issues, such as budget development. There are also numerous retreats to flesh out and develop strategies.

In the past, the executive director was responsible for day-to-day management of the organization, under general supervision of the president. CRS is now engaging in more fundraising, however, seeking to broaden its financial base well beyond the traditional, U.S. Government donor base, and the chief of staff is assuming more day-to-day responsibility while the executive director focuses on fundraising and external relations. The chief of staff is also expected to streamline the internal, consensus-based decision-making process (more on which below.) One CRS manager also remarked, "the game is quite global now." The CRS executive director must deal not only with Congress and the Administration as well as domestic, private donors, but also with CARITAS (the Catholic international charity), the global NGO network, and a shifting, issue-dependent coalition of international partners. This demands more time and attention.



The current executive management team represents a dramatic expansion over the model of just a few years ago. Then, the executive director was assisted by two deputy executive directors (operations and administration), to whom the department heads reported. A third deputy was added for fundraising and outreach a few years ago, and an outsider (a retired Navy admiral) was hired. Next the human resource director and chief financial officer were raised in status to the executive management team. A major policy shift took place subsequent to that which led to appointment of a deputy executive director for policy, responsible for reinterpreting programs and policies. A special projects deputy was added to handle high-priority, high-impact issues. Four months ago a chief of staff was added to relieve the executive director of day-to-day management responsibility.

Of these positions, only three (chief of staff, policy and strategic issues, and special projects) are new. The other "new" executive management team positions represent upgrades of existing jobs.

### **Technology**

CRS has embraced technology. The executive director supports adoption of progressive technologies, and CRS has its own in-house information technology unit. The financial system is automated, and grew out of a multi-million dollar upgrade recommended by an outside consultant. Use of e-mail is virtually universal across the organization, though connection speeds in Africa tend to be slower than in the rest of the world. Position descriptions of all new hires require knowledge of Microsoft Office and general computer skills.

Technology must be coupled with the capacity to use it, and that is an ongoing problem. The critical issue is ongoing knowledge improvement, which is a serious issue in less developed countries where "the accountant...has an 8<sup>th</sup>-grade education." One employee commented that the headquarters mindset is technology "will solve our monitoring and evaluation problems," but the field reality is that there often is nobody there capable of using the technology. CRS is beginning to recognize that in some instances it will have to fill critical positions with expatriates. In some cases, this is viewed as an opportunity for career development of local staff in other countries. In one such example, an Indian national was transferred to Indonesia due to the need for the Indian's technical skills.

### **Overseas Posts**

Catholic Relief Services operates 54 country offices and has a presence in 31 more "outreach countries" (that is, countries with a CRS program but no resident CRS country director). In addition, there are activities in some countries through "local partner networks" with no CRS staff assigned to them. Country representatives are usually American citizens and are responsible for all CRS activities in the countries assigned to them. They and the regional directors are payrolled out of Baltimore, as opposed to local staff, who are payrolled locally. The overseas program is managed by the deputy executive director for overseas operations, herself a former field officer.

Country representatives report to one of nine regional directors. One regional director, for Latin America, is based in Baltimore; the rest are based overseas. The regional directors each have deputy directors who back them up and in some cases complement the technical, programmatic, or management skills of the regional director. The regional directors are responsible less for program oversight than for assurance of overall management quality, security of the field offices, and whether local staff is treated well. The philosophy here was described as "robust regional directors" with broad authority to ensure successful operation of the field offices reporting to them. That having been said, every manager of the organization stressed the "deep value" placed on decentralized decision-making, which empowers the country representatives. Regional directors and country representatives both enjoy considerable latitude in deciding how to proceed within their respective domains.

A typical country office will include its own human resources, finance, project/program, information technology, and general services departments. These will typically all be headed by local employees, except in large offices where program managers (e.g., direct feeding or monetization programs) will be



U.S. citizens. A large office will also have its own audit department. Emergencies usually result in larger numbers of expatriates due to the specialized skills needed immediately and the lack of time for training local staff.

A country representative may cover only the country of residence, or may in some cases oversee operations in neighboring countries. In “outreach countries” there will be local CRS employees. There may also be projects in a country operated on behalf of CRS by a cooperating organization, such as CARITAS, where no CRS employees are present. These are relatively rare, and where they exist are typically programs which were begun by CRS staff and handed off when CRS moved out of the country.

The 54 country representatives are hired with an eye to high emotional intelligence and talent. CRS’s philosophy is that a talented individual can learn everything else she or he needs. Empathy and emotional maturity are crucial to success and candidates for hiring are scrutinized for these qualities. Once a candidate has demonstrated them, such additional attributes as ability to operate under ambiguous and chaotic circumstances, command of foreign languages, and technical skills are reviewed.

As the deputy executive director for overseas operations put it, the intangibles are the most critical to a country representative’s success. Managing relationships is a big part of the country rep’s job, since CRS needs to maintain good relationships with its many overseas program partners. Technical skills are important but a country representative will fail, even if he or she possesses outstanding technical skills, if maturity and emotional intelligence are lacking.

The overseas posts benefit from a major advantage accruing to a faith-based organization subordinate to a universal church. There are Catholic bishops in nearly every corner of the world, and as one manager smiled, “they have truth and justice in their job descriptions.” When governments collapse, when countries go to war, often the only institution left standing is the church with its priest, so CRS nearly always has some sort of infrastructure with which to start its relief or development efforts.

### **Corporate Culture**

This is a mission culture, not surprisingly. Mission culture is described as “An organization concerned with serving specific customers in the external environment...characterized by emphasis on a clear vision of the organization’s purpose...”<sup>43</sup> The employees of the organization know quite clearly what they are about, and are committed personally to the organization’s success.

Catholic Relief Services is a fascinating study in how cataclysm can bring about a sea change in corporate attitudes. Born of the relief efforts of World War II, CRS for over 50 years focused on its core competencies in emergency disaster relief (which remains the first item listed on the mission statement) with growing, but clearly subsidiary, efforts to promote sustainable development. The differing levels of acceptance of these two mission orientations is reflected in one employee’s observation that while decision-making may stall over routine programmatic issues, when an emergency hits CRS can have a team underway in 24 hours or less. The organization pulls together around its singular core competency, disaster relief, and like the proverbial old fire horse, runs to the firewagon, puts its head in the collar, and gallops off.

Until 1983, CRS was headed by a clergyman, and management principles took a back seat to a strong task orientation. In that year, CRS hired a retired State Department foreign service officer as the first lay executive director. He brought in several retired foreign service colleagues to assist in professionalizing Catholic Relief Services. This necessary step, while yielding a more efficient and effective organization, distracted the agency from its core values. In 1993, a new executive director was hired. Though also a layman, he was given the mandate to re-ingrain Catholic core values. As a faith-based organization, it was reasoned, CRS should espouse actively the values of its faith while maintaining the highest standards of professionalism and quality.





With that as background, Catholic Relief Services underwent significant trauma in 1995 during the catastrophic massacres in Rwanda, where CRS had significant programs and had made substantial progress with its development portfolio. Nearly overnight, decades of hard work and investment were swept away by the bloodletting. More wrenching, some CRS employees had family ties with victims of the Rwandan genocide. This on top of the personal friendships of many staff with other victims evoked tremendous grief. Such a very personal perspective from CRS headquarters drove a point home. Sustainable development is pointless if the root causes of social inequity (conflict, poverty, human rights violations) are not somehow addressed. After much soul searching, CRS found its answer in the newly ingrained teachings on social justice found in Catholic social teaching. In the wake of the Rwandan genocide, CRS in some measure rediscovered the significance of its newly reinforced identity as a faith-based organization.

The first formal strategic plan thus began to focus on justice as viewed through the Catholic prism. This had some predictable consequences. As one manager put it, CRS began to view itself less as a “Catholic USAID” judged by its competence and more as a Catholic agency basing its decisions on just and peaceful societal development. CRS began a program of intensive training in social justice as well as the basic tenets of Catholic social teaching, which all employees were required to attend. This was costly and very time consuming, particularly since part of the deal was the ability of any CRS staffer to e-mail any CRS manager, including the executive director, with questions and concerns.

This in turn led to decisions in favor of programs to attack the root causes of poverty and social injustice. Such programs tend, according to program managers, to be more complex, to require different skills from those traditional to CRS, more training, more time, and more cross-boundary work. In short, it requires a new mindset, and CRS is struggling a bit with that (particularly when it comes to working across national boundaries, which doesn’t neatly fit the current organizational model.) That having been said, the focus on social justice appears to be paying off in both renewed energy and better concentration of the agency’s efforts.

There were also unintended consequences. The new emphasis on social justice led some employees to question the justice of top-down decision-making and of low pay scales for menial laborers working for CRS, just to name two. The former led ultimately to near-gridlock in some decisions and ultimately to the creation of the chief of staff position, to seek a just middle ground between gridlock and top-down decisions. The latter led to renegotiation of a service contract so the laborers would have more “just” incomes. Some employees also sought to invoke “justice” as a justification for demanding certain rights and privileges. CRS management then had to engage in further instruction on another Catholic social teaching, “rights and responsibilities.” Nonetheless, CRS remains committed to the concept of social justice as a core tenet of its work, and in fact in the next strategic plan expects justice to have become so integral to agency doctrine it will be able to move on to a new focal point.

Another unintended consequence was the offer to resign tendered by some non-Catholic employees. Confronted with the need to incorporate Catholic social teaching into their programs, they reasoned that non-Catholics were no longer welcome in the organization. CRS management responded that Catholic social teaching is one faith’s interpretation of natural laws, and asked its non-Catholic employees to draw parallels between the church’s teachings and the teachings of their own faiths. Following that experience, one manager noted that even non-Christians tend to gravitate to CRS as an employer because of its principles.

Other features of CRS corporate culture derive directly from the type of people attracted to a faith-based organization engaged in this type of assistance work. The employees are notable for their dedication to the ideas of public service, deep sense of connection to the clientele of development programs, and high motivation. As one senior manager said, shared values are more than “warm and fuzzy”, they do have an





impact on program quality. Quality, she indicated, is in great measure a function of the extraordinary commitment by the staff of CRS to the mission.

**Observations**

Employees don't need great amounts of guidance and supervision if they know what is expected of them, have the tools they need, and are motivated to deliver the goods. CRS chooses its employees carefully, trains them, and keeps them charged up. The organization has an innate advantage in that charity work tends to draw a particular type of well-disposed person, but that is hardly enough to ensure 60 years of success. Fostering of the mission culture, though it was probably done unconsciously, has motivated its workforce very powerfully.



*"A mission statement communicates legitimacy to external and internal stakeholders."*

Professor Richard Daft, Vanderbilt University  
in Organization Theory and Design

*"We have, here, two primary missions – stealing secrets and producing intelligence."*

"Buzzy" Krongard, Executive Director  
Central Intelligence Agency

*"I regret that I have but one life to lose for my country."*

Nathan Hale, whose statue greets visitors to CIA  
headquarters

## Chapter 5. The Mission-Driven Bureaucracy



### Overview

The Central Intelligence Agency (CIA, [www.cia.gov](http://www.cia.gov)) is an independent agency of the United States Government reporting to the President. Much of its legislation is classified, but the basic enabling act is contained in Title 50, Chapter 15 of the United States Code.

This law charges the CIA with responsibility for collecting intelligence as well as for performing "such additional services as are of common concern to the elements of the intelligence community, which services the Director of Central Intelligence determines can be more efficiently accomplished centrally; and [performing] such other functions and duties related to intelligence affecting the national security as the President or the National Security Council may direct."<sup>44</sup> As an intelligence agency, the CIA collects, processes, and distributes information (intelligence being a highly specialized form of information), and carries out clandestine programs in support of United States national security. As part of that work, the CIA also manufactures specialized appliances, many of which are documented in Melton (1993) and Lloyd (1994). The CIA collaborates with other U.S. Government agencies in collection and processing of intelligence, serving as the de facto lead agency of the "intelligence community."

The Central Intelligence Agency, initially called the Central Intelligence Group, was established in 1947 by act of Congress. It has its roots in a tradition of espionage dating back to spies employed by General Washington during the American Revolution, but was immediately preceded by the World War II Office of Strategic Services, to which it owes much of its corporate culture.<sup>45</sup>

Current overall staffing and scope of operations are classified. However, Kessler reported in 1992 the CIA had offices ("stations") in 130 countries staffed by 15% of the agency's personnel.<sup>46</sup> He estimated overall CIA staffing at 22,000 full-time employees.<sup>47</sup> The Director of Central Intelligence is appointed by the President of the United States and confirmed by the U.S. Senate. In this position the director both coordinates foreign intelligence collection across the United States intelligence community and leads the Central Intelligence Agency. The CIA is held accountable by a special, joint oversight committee of the U.S. Congress, which to some degree functions as a board of directors. The director is assisted by a deputy



director of central intelligence, an executive director (who functions as chief operations officer), three deputy directors, and five department heads (Chief Financial Officer, Chief Information Officer, Security, Human Resources, and Global Support) who together form the executive management team. Heads of overseas offices ("chiefs of station") are supervised by U.S.-based division heads who report to the deputy director for operations.<sup>48</sup>

Kessler (1992) documented very well both the structure and functions of the CIA.

### **Vision, Mission, Values**

The CIA prints overt vision, mission, and values statements, and has begun propagating them across the agency. They are:

*Vision:* "To be the keystone of a U.S. Intelligence Community that is pre-eminent in the world, known for both the high quality of our work and excellence of our people."

*Mission:* "We support the President, the National Security Council, and all who make and execute U.S. national security policy by:

- Providing accurate, evidence-based, comprehensive, and timely foreign intelligence related to national security; and
- Conducting counterintelligence activities, special activities, and other functions related to foreign intelligence and national security as directed by the President."

### *Core Beliefs and Values:*

"What we stand for:

- Intelligence that adds substantial value to the management of crises, the conduct of war, and the development of policy.
- Objectivity in the substance of intelligence, a deep commitment to the customer in its form and timing."

"How we do our work:

- Personal and organizational integrity
- Teamwork throughout the Agency and the Intelligence Community
- Total participation of an excellent and diverse work force
- Innovating and taking risks to get the job done
- Adapting to both a changing world environment and evolving customer needs
- Accepting accountability for our actions
- Continuous improvement in all that we do."

These statements say a lot, but are probably no more powerful than the force of tradition and many of the non-verbal cues the CIA uses, coupled with the nature of people recruited into the organization. This is discussed below, in the communication and staffing sections.

### **Planning**

The CIA is a notoriously task-oriented culture, and one in which each of the directorates has historically operated as an independent fiefdom. Management and strategic planning are not its strong suits, and indeed only in 1998 did the director articulate a need to "set a 'strategic direction' for CIA." At that time several initiatives were launched to redirect resources where they were presumed to be most needed. Then, in 2001 an executive director was recruited from the private sector to instill more modern management practices. In an address to CIA staff introducing the new executive director, Director George Tenet said, "We must have Agency-wide strategies that focus on how we can best enable the mission..." The status of that effort is classified.





As readers of Tom Clancy novels know, however, the CIA periodically engages in war games and similar planning exercises to project potential threats to U.S. national security. In that sense (war planning) the agency is quite active.

### **Communication**

Non-verbal communication figures prominently in the CIA. Visitors to the CIA headquarters at Langley are confronted with three evocative, non-verbal communications to employees and the world: a statue of Nathan Hale, a statue of William Donovan, and a cryptography sculpture by Jim Sanborn.

Nathan Hale, a teenaged, volunteer spy of the American Revolution, is known for his brave quote before the redcoats executed him: "I regret that I have but one life to lose for my country." The statue of this hero, a spy captured barely one week into his assignment, conveys three powerful messages to and about the CIA. First, the CIA is about spying. Second, its people are willing to risk and if necessary to lay down their lives for their country. The faint of heart need not apply. Third, the CIA has a proud tradition going back to the American Revolution.

Major General William Donovan was the colorful head of the Office of Strategic Services (OSS), the World War II predecessor of the CIA. Early in his career, Donovan, an Army reservist and New York State National Guardsman, participated in General Pershing's expedition to Mexico, was wounded three times in France during World War I, and served as U.S. military liaison to Admiral Kolchak's White Russian forces in Siberia. Between the wars, as a civilian, Donovan visited Ethiopia to witness the Italian invasion and Spain to observe the Spanish Civil War at first hand. He was a brilliant attorney in private practice who served as assistant attorney general (then the number two position in the Justice Department) and won five cases before the Supreme Court. Donovan would all but certainly have been the first head of the CIA if not for an apparent personal grudge between him and President Truman.<sup>49</sup> As it was, much of the original staff of the CIA consisted of Donovan's former OSS employees, including veterans of the Jedburgh teams.<sup>50</sup>

By the end of World War II, Donovan was the most highly decorated military officer in American history. He is still the only person ever to hold all three of America's highest medals. In the course of two world wars he earned the Medal of Honor, America's highest combat decoration; the National Security Medal, America's highest award for intelligence work; and the second-highest combat decoration, the Distinguished Service Cross. In addition he received the Distinguished Service Medal (twice), the Purple Heart with two oak leaf clusters, the Legion d'Honneur, Order of the British Empire, and Croix de Guerre with palm and silver star, as well as decorations from Belgium, Italy, Denmark, Greece, the Vatican, the Netherlands, Norway, and Poland. When Donovan died in 1959, President Eisenhower referred to him as "the last hero" (hence the title of Anthony Cave Brown's biography of Donovan.) This statue accordingly conveys several non-verbal messages to CIA employees, *to wit*: We are bearers of the legacy of a great, courageous, intellectual hero. We continue a tradition of seeking adventure, rising to the occasion, and prevailing in the face of danger despite our wounds. We are not a passive espionage agency, we go where we need to go and do what needs to be done. We are a paramilitary service, with our roots in the military.

The Sanborn sculpture displays encrypted text on copper sheets, mounted on black granite, describing the CIA's mission. This conveys at least two powerful messages. First, we're about keeping secrets. Second, if you're a member of the club, you're privy to the secrets.

In terms of verbal communication, the Central Intelligence Agency publishes an internal newsletter, holds town hall meetings which are webcast over the agency's intranet, solicits biannual employee feedback surveys (in which participation is declining), and promotes staff meetings to ensure information trickles up and down. That having been said, the CIA is a badly stovepiped organization, and communication across the directorates is known to be problematic. Much of its success is attributable to the jointly shared sense of mission which is communicated from the very start of one's career.



## **Staffing**

As noted above, the staffing profile is classified, though the general order of magnitude of full-time staff has been published. The director and a very small number of other top-level staff are politically appointed. All other direct-hire employees are career civil servants. After the Soviet Union collapsed, the staffing profile was shifted, with analysts and others moving from the Soviet and eastern European areas into other geographic units. The CIA moved more quickly than most other Federal agencies in this regard, redirecting personnel to address changed priorities in the threat profile.

The personnel system is an excepted service, exempt from the provisions of Title 5 of the U.S. Code, which governs most Federal civil servants. Applicants must undergo security background investigations, medical and psychological examinations, and the well known polygraph test. Employees may be terminated without cause by the director of central intelligence based on authority of the National Security Act of 1947. All employees must hold security clearances, which means all employees must be U.S. citizens.

The CIA currently uses the general schedule pay scale common to the rest of the Government, but with a twist. CIA employees hold rank in person like commissioned officers of the military, foreign service, and public health service. This means there is “rotational authority” permitting up to a 3-grade upward stretch and 2-grade downward shrink. A CIA GS-15 is a GS-15 in person, and may be assigned to work in any job classified from GS-13 almost to the top of Senior Intelligence Service, just as a foreign service officer at the FS-01 level can serve in nearly any job from FS-03 to Senior Foreign Service. The CIA is currently experimenting with pay banding, however, with an eye to dropping the general schedule if it proves practical.

Outsourcing is common. Some staffing gaps are filled by independent contractors, who almost invariably are retired CIA officers. Industrial contractors are used for project-oriented activities. Most of these latter contractors are well known defense contractors who also work for other Federal agencies. The biggest issue in hiring contractors is security, which means less work is outsourced than would be by a comparable agency not involved in national security. One particularly interesting outsourcing project is termed “In-Q-Tel”, an effort by the directorate for science and technology to make contracting out for novel technologies faster and easier. It was born of frustration with both the internal bias to “make” rather than “buy”, and the slow procurement process which made novel technologies all but obsolete by the time they were acquired. “In-Q-Tel” is a wholly-owned commercial subsidiary of the CIA, run by the science and technology directorate, but it is not clear whether this experiment is working as intended.

The CIA does not overtly hire local employees at its overseas offices. However, as is well known from the popular literature, the agency does hire “agents in place” for intelligence collection and other purposes. These are not agency employees, but rather are functionally equivalent to the non-personal services contractors engaged by other Government agencies. The main difference is that they typically work under oral rather than written contracts.

When asked what the organization does best of all, one CIA employee emphasized that it hires people of high integrity. Trust is critical to the agency’s operations. The number of actual betrayals is quite small for an organization of some thousands (Edward Lee Howard and Aldrich Ames being the most notorious) but the damage caused even by this small number is considerable. Thus candidates for hiring are vetted very rigorously in a process that can take a year. As an example of what the agency looks for, the qualities sought for clandestine operators can be found in the CIA’s online job application website (<http://federaljobs.net/ciajobs.htm>):

### **“OPERATIONS OFFICER (Clandestine Positions)**

“For the extraordinary individual who wants more than a job, this is a way of life that will challenge the deepest resources of your intelligence, self-reliance, and



responsibility. It demands an adventurous spirit... a forceful personality... superior intellectual ability... toughness of mind... and the highest degree of integrity. It takes special skills and professional discipline to produce results. You will need to deal with fast-moving, ambiguous, and unstructured situations that will test your resourcefulness to the utmost.

“This is the Clandestine Service, the vital human element of intelligence collection. These people are the cutting edge of American intelligence, an elite corps gathering the vital information needed by our policy makers to make critical foreign policy decisions.

**“Qualifications:** Central Intelligence Agency’s Clandestine Service Trainee Program is the gateway to a unique overseas experience. To qualify you must have first-rate qualifications: a bachelor’s degree with an excellent academic record, strong interpersonal skills, the ability to write clearly and accurately, and a burning interest in international affairs. A graduate degree, foreign travel, foreign language proficiency, previous residency abroad, and military experience are pluses. We are particularly interested in candidates with backgrounds in Central Eurasian, East Asian, and Middle Eastern languages, and those with degrees and experience in international economics and international business as well as in the physical sciences.”

### **Corporate Governance**

The CIA is headed by the director of central intelligence (DCI), who has a deputy DCI. Day to day, however, the agency is run by the executive director, while the DCI and DDCI focus on external affairs of the intelligence community. Corporate leadership is provided by a board consisting of the executive director, the three deputy directors (intelligence, operations, science and technology), and the five heads of the “mission support organizations” (chief information officer, human resources director, chief financial officer, security officer, and global support officer.)

Previously, the mission support organizations were consolidated into a directorate for administration headed by another deputy director. In June 2001 it was broken up as it had become, in the opinion of users of its services, insufficiently responsive to them. Smaller units with slightly lower status for their respective leaders are expected to be more responsive to the directorates. At the same time, by elevating these five to nearly equal status with the deputy directors, the director has highlighted their importance to the organization. This reorganization was not carried out simply by shuffling boxes on the organizational chart. New people were brought in to run all but one of the mission support organizations due to dissatisfaction with the way their predecessors had performed.

This decision raised some interesting questions. For example, while it is oft heard that people are our most important resource, Federal human resource departments rarely bring value to the table, functioning more as hiring and (rarely) firing units which in the interim keep the personnel records. The question before the CIA’s newly elevated human resources department was what it would do now with its greater status in the organization. The human resources director formed a CIA University to provide continuing in-house education and training, began to focus on workforce planning, and began to implement pay-for-performance systems. These are all excellent first steps.

Elevation of the security officer is intended to assure that security concerns are integrated into top-level policy decisions, and not tacked on as afterthoughts. The question is whether security’s higher profile will inhibit information flow in a era when information flow is more critical to national security than ever before. In one hopeful sign, the security office has been directed to work closely with the chief information officer to deploy novel technologies securely as quickly as possible.





## **Technology**

An agency with a directorate for science and technology should be expected to embrace cutting-edge technologies, and this is true of the CIA as well as the intelligence community as a whole. Paradoxically, however, security concerns inhibit utilization of some commercial, off-the-shelf technologies others in the international arena take for granted. Use of personal digital assistants, for example, is restricted, as is use of cellular telephones.

The agency appointed its first chief information officer in 1998, and only gave him sufficient authority to begin integrating information systems in 2001. Investment in high technology in the intelligence community is estimated in the billions of dollars, though its absolute level and the nature of information systems deployed are among the CIA's most closely guarded secrets.<sup>51</sup>

The CIA is a heavy user of Lotus Notes for document management, e-mail, and calendaring.<sup>52</sup> It has been reported that Lotus Notes, the first document management software developed in the private sector, was created by Lotus Development Corp. in the second half of the 1980's partly in concert with the CIA, which needed a document management engine with built-in security features. Notes Version 1.0, released in 1989, featured built-in encryption and other security features that until then were unheard of for off-the-shelf software.

## **Overseas Posts**

As noted above, overseas offices are headed by a chief of station. Kessler describes the offices as ranging in size from a single officer in some African capitals to as many as 60 employees in major European capitals.<sup>53</sup> Borrowing again from Kessler, "Depending on their size, CIA stations may have a chief of support, a finance officer, a communications officer, a logistics officer, and a personnel officer. Large stations may have branches that focus on internal political affairs, Soviet matters, terrorism, narcotics, nuclear weapons, and liaison with local intelligence and internal-security services."<sup>54</sup>

This is perhaps the place to point out that the directorate of operations is "first among equals", as one CIA employee put it, and the field offices are the tooth to the rest of the organization's tail. This is acknowledged throughout the organization, and while it creates a certain arrogance on the part of the directorate of operations and its staff, that primacy is accepted. One consequence of this is that decisions on operations are taken only after consultation with the overseas offices. While an ultimate decision may be made in Langley, the CIA culture at least calls for it to be vetted in the field first. At the CIA, the question of "posts" versus "outposts" does not exist.

## **Corporate Culture**

The culture is a hybrid of all four cultural types: bureaucratic, mission, entrepreneurial, and clan. The CIA is a living and breathing paradox: a secretive bureaucracy with an entrepreneurial past, a bureaucracy which continues to hire mission-oriented entrepreneurs, who form a tight clan. It finds itself struggling to maintain its can-do legacy while staggering under the burden of a half-century accumulation of doctrine, dogma, rules, and regulations.

Some of this bureaucracy is a legacy of the CIA's military origins in the OSS. As a paramilitary organization, the CIA is clearly hierarchical, and hierarchies dampen entrepreneurial spirit (the need for entrepreneurship even in combat units is why most militaries feature "elite" units, such as the British Special Air Service, in which the hierarchy and traditional military behavioral norms are suspended.) The informal CIA mindset is entrepreneurial with clannish overtones in the various directorates—and each directorate forms its own clan—but the level of formal red tape creates tremendous heartburn and in fact is posing retention problems.

In some important respects the Central Intelligence Agency typifies a mission-oriented culture where the mission is so critical nothing else, not even good management, can be permitted to get in the way. One





anonymous employee wrote in a typical feedback report, "Our mission culture is overwhelming...we stress getting the task done at almost all costs. We have not paid enough attention to the people." There is a good side to this. Mission-oriented organizations act according to a fundamental purpose, which tends to have everyone pulling in the same direction. This unity of mission sense is an enormous strength and is a tribute to the organization's efforts, verbal and non-verbal, to communicate the agency's fundamental mission to all its employees.

The downside is in costs: human costs, the costs of extreme judgment errors, and indeed the cost of program execution, if the mission is viewed as worth any expense. In response to that the CIA University has begun a leadership academy. The intent is to teach leadership and management skills until they become part of a new corporate culture.

### **Observations**

With passage of the Patriot Act and a new focus on intelligence gathering in support of homeland security, the CIA has a rare opportunity to shed much of its bureaucratic baggage and to return to more entrepreneurial roots. With a leadership which recognizes the need for professional management, the agency also has an opportunity to moderate its mission-mania with concern for the people who constitute the organization. Whether it will seize these dual opportunities or continue to muddle along remains to be seen.

There is much to be learned from the CIA's use of symbolism, ritual, and tradition in conveying an organization's values and sense of mission. The sense of mission coupled with ability to attract truly patriotic employees of high integrity has sustained the CIA through very dark periods in its history, and that strength can be replicated in other Federal agencies.



*“...modern media cannot take the place of person-to-person meetings...”*

Bob Guldin, in “The Business of America is Exports”

*“Some of the most brilliant solutions come from smart managers who simply must get the work done very well and very fast and have no time to mess around. Their ad hoc strategies are often explicitly prohibited by corporate policies. So what? They work.”*

Bruce Tulgan, in Winning the Talent Wars

## Chapter 6. The Entrepreneurial Bureaucracy



### Overview

The U.S. and Foreign Commercial Service (USFCS, <http://www.usatrade.gov/>) is an agency of the U.S. Department of Commerce, and is subordinated to the International Trade Administration (ITA). Statutory authority is found in Title 15 of the U.S. Code, Section 4721. Provisions of the Foreign Service Act of 1980 (22 USC 3927) are specifically applied to USFCS, and the enabling act requires the agency to carry out its activities in a manner consistent with U.S. foreign policy objectives.

USFCS “shall place primary emphasis on the promotion of exports of goods and services from the United States, particularly by small businesses and medium-sized businesses, and on the protection of United States business interests abroad.” The law lists specific activities, and requires operation of a headquarters office, domestic field offices, and field offices in foreign countries. The law provides for up to 16 USFCS officers overseas to bear the diplomatic title of minister-counselor, and further provides that the State Department shall consider commercial service officers for positions as consuls general in posts where the predominant activity is commercial in nature. Descriptions of the work of USFCS can be found in Frederick (2003), Helgesen (2003), and Sletten (2003).

In 1897 the State Department created a Bureau of Foreign Commerce and began to distribute commercial reports from diplomatic and consular offices. The Department of Commerce (and Labor, at the time) itself was created in 1903. The Foreign Commercial Service was created in 1927, but then was abolished in 1939 when non-State Department foreign affairs agencies were ordered absorbed into State Department. Commercial attachés became State Department officers at that time, and remained so until 1980. In that year the Foreign Commercial Service was re-established. In 1981 it was renamed the U.S. and Foreign Commercial Service to emphasize linkage with Commerce’s domestic offices. Today it is colloquially called simply the Commercial Service.

USFCS has 105 offices in the United States and 160 abroad, staffed by 1700 employees. The USFCS is headed by a director-general, who is also an assistant secretary of Commerce, appointed by the President and confirmed by the Senate. The deputy director general is a career foreign service officer (FSO) of senior foreign service rank. By law, overseas offices are headed by foreign commercial service officers under the foreign service personnel system. As a foreign affairs agency, USFCS has seats on both the Board of the Foreign Service and the Board of Examiners of the Foreign Service.



**Vision, Mission, Values**

The Commercial Service distributes wallet-sized cards bearing on one side the vision, mission and values of the service:

*Vision:* “We are the U.S. Commercial Service, the best source of customized solutions for U.S. business to compete and win in the global marketplace.”

*Mission:* “The U.S. Commercial Service shall place primary emphasis on the promotion of exports of goods and services from the United States, particularly by small- and medium-sized businesses, and on the protection of United States business interests abroad.”

*Values:* “We, the members of the U.S. Commercial Service, take pride in public service and in knowing that our mission creates economic prosperity and more and better jobs for all Americans. We pursue excellence in client service and satisfaction. We develop public and private partnerships to better reach and service our clients. Our work is meaningful and produces concrete results. We believe that diversity makes us stronger. We reward performance, and we make integrity and accountability the solid foundation of our organization. We encourage creativity and believe learning and change are integral to quality of service and to career development. Our leaders listen, inspire, and empower. Co-workers show mutual respect. We work together in an environment that nourishes growth as team players and as individuals.”

Developing the text of these statements took four weeklong sessions by groups drawn from across the organization, facilitated by a consultant from Training Resources Group. One manager likened the exercise to “pulling teeth” and said the wording is clumsy because there was not agreement even among the top managers as to how much to include. Some advocated brief, to-the-point, inspiring statements; others, fearful of the depths of cynicism in the agency, sought to err on the side of detail in articulating clear marching orders for organizational change. The organization has reportedly espoused the statements, though not without some initial skepticism, and senior management has shown its commitment to their implementation through creation of Organizational Development, Customer Relations Management, and Professional Development units.

**Planning**

Planning is decentralized and sometimes an area of controversy, as each overseas post and domestic office has its own plan, but historically the headquarters does not have a strategic plan that is systematically reviewed. Instead, an annual senior staff retreat is used to plan activities and priorities based on the expected appropriation. Early in the last Administration, the Big Emerging Market concept was used to set priorities, and it resulted in both shifts of resources to growth markets and to larger budget appropriations. This exercise has not been repeated, however. Often the plans are derailed when Congress mandates the opening of certain offices without providing additional funds for the purpose. This causes other posts to be closed so that ends will meet at the end of the fiscal year.

Currently, review of the overseas staffing profile is through an “overseas resource allocation model” (ORAM, for short) which uses 61 factors, including the macroeconomic conditions of countries, as well as their political conditions, U.S. interest in them, propensity to import from the U.S., and several other indicators. The results of this computer model are used as a basis for recommending shifts in overseas staff. A contractor to FCS runs this model annually. Senior management, of course, does not accept the results of the computer modeling blindly, but modifies them in light of perceived national priorities and other political influences. Sometimes political pressure is sufficient to force the service to open a post where there is no apparent commercial interest (such as Haiti.)

**Communication**

Communication is not easy in this organization with 105 offices in the U.S. and 160 worldwide, all of them very busy. Often the “penetration level” of messages sent to them is very low. USFCS uses technology to





get messages out: its own intranet, the Internet (both via the web and e-mail), and uses the hierarchy to ensure the messages are propagated. For example, messages from the director-general go to the regional directors, then to the senior commercial officers, and onward to the subordinate staff. Overseas posts often publish newsletters and magazines for their clienteles, where the senior commercial officer believes it makes sense to do so.

That having been said, circumvention of the chain of command is relatively common due to the prevalence of e-mail. Indeed, non-linear communication is actively encouraged through the development of cross-cutting teams outside the traditional chain of command. E-mail is now the primary communications medium. Telegraphic traffic has dwindled almost to nothing. Also, the service's client relationship management unit found that it has a role serving both internal and external clients and so surveyed internal clients. This has improved communications internally and bears promise for improvement of services across units within the organization. The director-general sends out a quarterly communication to all employees. She also holds weekly senior staff meetings.

USFCS is a somewhat visually oriented organization. Posters of overseas activities adorn the walls of the headquarters unit hallway, and attention is paid to visual symbols of whom the organization represents. Senior officials of the agency have large U.S. flags on stands in their offices, for example. USFCS also takes ceremonies seriously as a means of keeping up esprit. For instance, officers are sworn in upon commissioning by the Secretary of Commerce, if he is available, and if not, by the USFCS director general.

### **Staffing**

USFCS uses the typical dual personnel system of a Federal foreign affairs agency for its American citizen staff, the general schedule for civil servants and foreign service personnel system for foreign service officers. There are about 1700 total employees, including 350 in the domestic field offices, 160 at headquarters, and the remainder (about 1190) abroad. Of this last group, 240 are foreign service officers, 500 are direct-hire foreign service nationals, and the rest are personal service contractors.

In addition to its authority to hire foreign service nationals, the agency enjoys authority to use the services of individuals under personal services agreements, personal services contracts, and non-personal services contracts, and of course to contract with firms under Federal Acquisition Regulations.

Friction arose early in the 1980's between the civil service and foreign service over competition for highly graded positions in Washington. Initially USFCS dealt with this by simply keeping the officers overseas except for a small number (about six) in headquarters. In not too many years the agency bumped up against the 17-year limit on overseas service and had to find some way of rotating the officers back to the U.S. The initial solution chosen was to designate 13 of the domestic field offices as foreign service domestic assignments in addition to four regional director and one deputy director general positions at headquarters.

While this policy reduced civil/foreign service friction to a manageable level, it severely limited the flexibility of the agency to rotate the right person into the right job at times and was seen initially as limiting the career prospects of civil service employees. It also proved inadequate to meet the statutory requirement that foreign service officers periodically serve in a domestic assignment. As a result, an informal system of permitting FSOs to work in a non-designated domestic assignment on an extraordinary, case-by-case basis has emerged. In addition USFCS has begun a diplomats-in-residence program, with an FSO currently at George Mason University. The agency details FSOs to three international banks (Inter American Development Bank, Asian Development Bank, and World Bank) and is exploring the possibility of detailing FSOs to the National Security Council and Commerce's Office of the Secretary.

Though this policy reduced intraservice tension, it also deepened the cultural divide between the foreign service and civil service, such that the two camps do not understand each others' internal issues, differing



approaches to problem solving, and cultures. This is a contributory cause to the internal communications difficulties USFCS experiences, although it is partially countered by an emphasis on assigning FSOs to domestic trade specialist positions early in their careers, and by strongly encouraging civil service employees to do brief, temporary-duty assignments in foreign posts.

The senior management of USFCS recently concluded that it was not hiring the right type of people for its foreign service officer corps. Upon close examination of the intake procedure, senior management discovered that the initial review of applicant résumés was being performed by two low-graded personnel specialists with no overseas experience who were openly proud that they had worked for USFCS for 20 years, yet in that time had not bothered to learn anything about what the overseas offices need in the way of skills and talents. This review of résumés consisted largely of a keyword search, and applicants whose documents contained a high frequency of certain keywords were passed on for review without regard for either the quality or duration of actual experience. The personnel specialists declined to improve their skills or to modify the approach, so USFCS has outsourced this stage of applicant assessment to the Office of Personnel Management, taking it away from the USFCS human resources division. In the words of one senior manager, USFCS needs “to be more picky” in its selections. A senior manager also noted that some candidates “test well” but do not prove out in the longer term; there is no correlation between scores in the assessment process and subsequent performance as an FSO. This poses a challenge for the performance appraisal process, which is supposed to weed out the unfit before they are commissioned and tenured.

USFCS outsources a great deal. As noted above, the overseas resource allocation model program is contracted out, as is much software development, printing, and training (especially distance learning). Financial services are performed by the Department of Interior’s National Business Center. Overseas administrative support is outsourced to ICASS<sup>55</sup> service providers, primarily the Department of State. Telecommunications is outsourced to both private, commercial service providers and, where no other solution exists, to the Diplomatic Telecommunications Service of State Department. Certain functions, such as legal counsel, are provided by the Department of Commerce on a reimbursable basis, and an internal accounting mechanism is used to charge the cost of this support back to USFCS.

Under the current director general, training has received greater emphasis. USFCS now has a junior officer training program that “mimics” the State Department A-100 course, and a special course for senior commercial officers.<sup>56</sup>

### **Corporate Governance**

USFCS is an agency of the International Trade Administration, in turn part of the U.S. Department of Commerce. ITA is headed by an Under Secretary, to whom four assistant secretaries report, for the U.S. and Foreign Commercial Service, Market Access and Compliance (MAC), Trade Development, and Import Administration. The MAC unit deals with trade policy issues and is analogous to FAS’s International Trade Policy program area. Trade Development corresponds roughly to the FAS marketing program units. It is important to note that with rare exceptions USFCS employees, particularly FSOs, do not cross over into the MAC or Trade Development units. Some FSO candidates are recruited from them, but once hired they become USFCS employees, of course.

USFCS itself is headed by the director general, assisted by a career senior foreign service officer as deputy director general (functionally equivalent to a principal deputy assistant secretary). To them report three deputy assistant secretaries, for international operations, export promotion services, and domestic operations. Two of the deputy assistant secretaries are political appointees, with only the DAS for international operations being a career officer. Staff units for human resources, FSO assignments, e-business development, and general administration (called the “office of planning”) report directly to the director general.



The director general travels about 25 percent of the time in an effort both to show the flag and to stay in touch with what is going on in the foreign commercial world. She holds regular, weekly senior staff meetings, plus special meetings on specific topics.

This is a greatly decentralized, field-oriented organization whose saving grace is the common comprehension of why it exists. A debate is underway over the degree of centralization needed, with top management advocating greater centralization to ensure adherence to program priorities. This problem is compounded by the reality that overseas, ambassadors are in charge of post programs and can greatly influence local decisions on how a post's resources will be applied.

### **Technology**

Commerce as a department is committed to high technology, and USFCS considers itself to be on the leading edge of it. USFCS was, along with the former U.S. Information Agency, one of the first foreign affairs agencies to deploy broad-bandwidth Internet connections for its overseas offices, and the first to begin abandoning the Diplomatic Telecommunications Service as a sole provider of connectivity overseas.

USFCS has developed a management information system based on Lotus Notes which includes personnel management, financial management, client relations management, and client management. Technology is viewed within USFCS as a means of making communication across all times zones, across a global presence, easier and more efficient.

### **Overseas Posts**

USFCS has 160 overseas posts. The senior officer in each country is designated the "senior commercial officer" (SCO). In line with the Foreign Service Act of 1980 (22 U.S.C., Chapter 52), SCOs of FS-01 rank or higher are accorded the diplomatic title of counselor of embassy, except for the 16 most senior posts, which by virtue of another law (15 U.S.C., Section 4721(d)) may be called minister-counselors. One senior Commerce FSO currently serves in an ambassadorship, and another FSO serves as consul general at Düsseldorf.

Despite its professed communications challenges, USFCS does not suffer from the "posts vs. outposts" syndrome. In particular, the other parts of the International Trade Administration are deeply aware of the work of the overseas posts and use their services extensively. Country-specific issues in particular are referred back to the posts for input and comment. The regional directors serve as the formal supervisors of post operations, but other ITA agencies also participate in evaluating the senior commercial officers and in assigning tasks to them.

In the overseas environment, the SCOs function within a matrix management scheme, as they report both directly to the Commerce Department headquarters (15 U.S.C., Section 4721) and to the ambassador at post (22 U.S.C., Section 3927). The ambassador writes a formal performance evaluation which can and sometimes does have a significant influence on career prospects.

### **Corporate Culture**

USFCS is a bureaucracy, but it hires entrepreneurs who serve entrepreneurs. This explains part of the tension between the headquarters and the field. Bureaucrats see as their mission the preservation of order and standard operating procedures. Entrepreneurs see as their mission the exploitation of opportunities to make money, which often means standing orders and SOPs go out the window.

The field culture is described as a "culture of independence", of "one thousand flowers blooming," and SCOs as well as domestic field office heads are informally viewed as holding a franchise to run a USFCS office. Officers tend to pull in the same direction, "but in different ways," was the way one employee put it. This has exposed a need for a unified management approach, typified as the "rules of the franchise." The desire is not to stifle creativity or innovation, or the nimble responsiveness to opportunity the





commercial world demands, but somehow to ensure that the SCOs share common management competencies and a clear sense of what is expected of them.

The director general is reportedly somewhat concerned that “we don’t always know what the posts are doing.” That having been said, the USFCS mission is clearly and well understood. “People get their kicks promoting exports for U.S. companies,” said one employee. USFCS officers show their entrepreneurship by raising money for promotional activities. The work plans will often contain activities for which no Federal funds are available, but Commerce has legal authority to charge for its services and thus grants its officers the leeway to pass on costs of trade shows, trade missions, and other promotional activities. The unintended result of this is that Commerce FSOs tend to be among the most dynamic at overseas posts, and the most adept at finding non-bureaucratic solutions to problems.

There is a tendency at the management level to focus on programs and not people. Burnout and performance management are largely ignored, yet are reportedly serious issues. This focus is also reflected in low (but rising) levels of management training. USFCS management is aware of these problems.

### **Observations**

By zeroing in on its problematic hiring practices, USFCS unconsciously underscored the most important facet of running an organization: hiring and keeping the best people you can. Next USFCS needs to go to work on shedding itself of those hired who do not work out.

The conflict between field entrepreneurs and headquarters bureaucrats may never be reconciled, but it could certainly be moderated if there were better communication between the field and Washington. The USFCS leadership appears to be aware of this. The issue brings into sharp focus the need for heavy flows of information, both formal and informal, between field officers and the headquarters staff in any organization.

Printing the vision, mission and values statements is a start, but USFCS clearly has work to do in ensuring that the values are embraced agency-wide. One important step would be to ensure that all new hires espouse the values printed on the cards.





*“The key element of an organization is not a building or a set of policies and procedures; organizations are made up of people and their relationships with one another.”*

Professor Richard Daft, Vanderbilt University  
in Organization Theory and Design

*“...successful managers understand that an organization consists of a dynamic set of relationships that exist within a turbulent competitive environment.”*

Nadler, et al, in Competing by Design

*“Organizational chart? We don’t have one.”*

Victoria Pope, Managing Editor, *U.S. News & World Report*

## Chapter 7. The Secular Mission



### Overview

U.S. News & World Report is a privately owned media firm.<sup>57</sup> It publishes and is best known for a highly regarded, eponymous, weekly newsmagazine, but has expanded into e-media products, books, educational products, and specialty publications, including well researched annual ratings of educational institutions and medical facilities. The firm began its Internet presence in 1993, when it began providing content to CompuServe. The firm’s own website, [www.usnews.com](http://www.usnews.com), went on line November 6, 1995.

Journalist David Lawrence founded the firm in 1933 as a weekly newspaper entitled *United States News*. In 1939 he launched an internationally focused weekly newspaper entitled *World Report*. In the 1940’s they moved to a weekly magazine format, and in 1948 were merged to create *U.S. News & World Report* (*USN&WR*). The firm was employee-owned from 1962 to 1984, when Mortimer B. Zuckerman bought it. The organization employs approximately 200 and maintains domestic bureaus in six cities. No full-time staff are employed overseas; the last overseas bureaus were closed in 2002 largely as a cost-saving measure.

It is wholly owned by Mortimer B. Zuckerman, J.D., a publisher and real-estate developer who also owns the New York *Daily News*. Many administrative functions are performed by the “corporate” offices in New York and are shared with the *Daily News* so as to enjoy economies of scale, but journalistically *U.S. News & World Report* operates as a separate media entity.

### Vision, Mission, Values

No formal vision, mission, or values statements exist or have ever been written down. Paradoxically, everybody in this small journalistic enterprise knows exactly what the organization is about and what it is striving for. It is, as one editor put it, “a middle-brow magazine verging on high-brow” which shuns celebrity journalism, attracts readers interested in serious topics, and seeks to provide quality reporting in support of a quality readership. There is a strong emphasis on relevance, “news you can use®”<sup>58</sup>, and whether what the magazine publishes will be overtaken by events or still look good two weeks hence.

In part this cohesiveness is due to the senior management policy of cutting loose people who don’t share the implicit, unspoken, shared values and vision. If a writer or editor doesn’t fit, she or he simply is not kept. This is not to imply that U.S. News & World Report is a lock-step, conservative, or tightly run



organization. The lack of dress code, varying hair styles of male employees, and diversity of political outlooks on the staff are enough to assure outsiders that divergence in opinions, approaches, and styles is highly tolerated. The cohesiveness is found, rather, in a commitment to high quality, to the highest principles of journalism, and to serving a readership which demands accurate, non-polemical, and relevant information.

The readership focus is critical, and betrays much. First, it indicates a strong customer orientation, which is crucial to the success of any organization today. Second, the organization knows precisely what kinds of readers it wants to attract, and that knowledge is communicated informally but powerfully across the entire staff.<sup>59</sup> Curiously, *USN&WR* does publish on its website a come-on to potential advertisers at ([http://www.usnews.com/media/print/print\\_index.htm](http://www.usnews.com/media/print/print_index.htm)) which reads:

“U.S. News delivers a unique brand of weekly magazine journalism to its 11.2 million (sic) readers. U.S. News does not aspire to be a chronicle of popular culture. Its mission is to provide readers with actionable, useful information, and to make news with original, agenda setting reporting and investigative journalism that makes a difference in people’s lives.”

The statement’s intended audience is not the organization’s employees, however. It is directed, rather, to advertisers who might buy space in the magazine. This is the closest the organization comes to an explicit “mission statement”.

### **Planning**

Planning revolves around getting the weekly magazine out, and tends to run month to month. Budgets are projected annually, and incorporate the array of publications. No formal, written strategic plan exists, but there is a verbal strategy shared across the editorial leadership to diversify sources of revenue without increasing staffing levels (this is expected to be possible by expanding the number of publication types, charging for information services until recently given away for free, and diversifying into books.) The firm views itself as a “*laissez faire*” organization which focuses on the here and now, but this is tempered by the need to plan ahead at least a little bit.

The challenge of a news organization is to plan far enough in advance to capture foreseeable opportunities while reserving sufficient *ad hoc* resources to respond to the unforeseeable news event. The *Columbia* space shuttle tragedy was one such event, to which *USN&WR* responded with a special issue within 72 hours of the accident. “You can’t commit totally to the long term,” said one senior editor, while conceding that you do need to look out some months ahead.

### **Communication**

One should expect a media firm to be good at communication, and this is where *USN&WR* actually applies some structure. The assistant managing editors are the key linking pins in a formal chain of command, and are the positions through which story teams are assembled and dissolved. Formally, the editor’s desires are communicated to writers via the assistant managing editors, and this mechanism works well. Assistant managing editors who fail in this function simply don’t last very long. Informally, editors and writers can and do pick up the phone or e-mail one another to clarify needs, wants and desires. Time is of the essence in journalism, so roadblocks to communication are simply not permitted. Daily editorial board meetings set the tone for upcoming issues but are kept short, half an hour in most cases, and are supplemented by frequent phone calls, drop-in visits, and e-mail.

The assistant managing editors “book space” in each upcoming issue at the weekly meetings that decide what that issue will be about. They bear the greatest responsibility for keeping the ball rolling toward publication, first by committing to fill space then by ensuring that high-quality articles are actually written



to fill the space. They are thus the connecting rod between the senior editors above and the writers below, and must have an exquisite sense of what a *U.S. News & World Report* reader is interested in.

With this in mind, USN&WR regards itself as a “reporter-led” publication in that once the main menu of major stories has been selected for an issue, the reporters’ instincts are trusted to come up with the rest of the issue. In particular the reporters are relied on for lighter, topical reporting that appeals strongly to advertisers.

Protocol does not exist for all practical purposes. The senior editors’ doors are open, and as the top editor put it, “anybody can walk through the door.” They do, too, and as a result the senior management has a very good sense of the workplace mood. From another point of view, it is a small enough organization that informal lines of communication serve it very well, and they are therefore encouraged.

### **Staffing**

The philosophy is to hire people who already know why they are there, “quality people who are pleasant to be with.” Poor team players are dismissed quickly, for under the stress of putting out a weekly publication in a highly competitive media environment, true character and shortcomings in interpersonal skills soon surface. New hires are selected for team orientation, collegiality, excellence in writing skills, and adherence to journalistic ethics and principles.

The firm has about 200 employees, including staff writers and editors, a multimedia library staff, photographers, artists, and other specialists. The editors and writers make up just under half of the staff. The magazine has a worldwide web operation with 8 full-time staff. USN&WR also uses interns, and at the moment has eight part-time interns on the roster.

Finance, vouchering, health care plan, information technology, and other administrative support functions are handled by the corporate offices in New York City and suburban New Jersey which cover both U.S. News & World Report and the *Daily News*.

Outsourcing is common. Free-lance writers and photographers are regularly engaged, and the overseas coverage is provided almost totally by stringers.<sup>60</sup> The domestic stringer list of 366 and international stringer list of 178 potential writers are tapped on an as-needed basis.

Printing is outsourced to a print plant in Wisconsin.

### **Corporate Governance**

This firm is a bit of a rarity in today’s world of publicly traded firms, a well known and widely respected firm owned by an individual. In formal terms, U.S. News & World Report answers to the owner, Mortimer Zuckerman. He runs the company at the strategic level, but wisely leaves day-to-day operations to a highly motivated and competent management team. Though a corporate headquarters exists formally in New York, in operational terms it is viewed almost as an utterly separate entity responsible for handling administrative issues (payroll, legal questions, advertising, and the like.) In a very real sense, these functions have been outsourced to the New York office, leaving the Washington headquarters of the magazine to focus on what it does best: putting out quality media products.

The editor, executive editor, and three managing editors form the core of the upper-level executive management team. They make final decisions on major topics while delegating considerable editorial freedom to the next tier of assistant managing editors. They also delegate great authority to the non-editorial section heads in the tier below them (e.g., photography, art, library and information services). These units’ managers are provided with a budget and in effect told to go forth and do good work. This high level of decentralization works because of the high degree of mutual trust across the management team.





The *laissez faire* approach to management is not without pitfalls. Content licensing, for example, was long allowed to slip through the cracks, with the result that a potential revenue source was until recently given away at below-market prices and in some cases for free.

The organization chart of this firm deserves some special attention. This is an interesting hybrid of matrix (at the corporate headquarters, see Figure 8) and boundaryless (see Figure 9) organization. Dogma tells us that matrix management is one of the most difficult forms of organizational management to exercise, since it creates multiple lines of authority. The boundaryless model can be even more difficult, since the lines of authority do not exist below a certain management tier.

In this case, the tie that binds the boundaryless organization is the Story. As stories emerge, teams are formed across the organization that will include one or more editors, several writers, researchers, and stringers. They will collaborate on producing one or more articles that constitute the Story and function as a cross-divisional team until the Story is sent to the printer. The Story may draw on staff from several vertical units as well as corporate staff in New York (for example, the general counsel, if there is a legal question of some sort). At any given moment a staff member may be a member of five or six story teams, collaborating with different groups of people on several different projects, each potentially with a different deadline. As each Story is published, that team dissolves.

### **Technology**

As a media firm, U.S. News & World Report embraces high technology. This is evident in the automated systems which support creation of the magazine, in the *avant garde* Internet presence, and in the decision to create a knowledge management office (though it is not called that.)

TeamBase ([http://www.agileenterprise.com/case\\_studies\\_usnews.htm](http://www.agileenterprise.com/case_studies_usnews.htm)) is used for internal editing of stories. Quark XPress is used for layout; the two software products interoperate with Microsoft Word to form a seamless editing, layout and pre-publication environment. TeamBase also includes an e-mail client but users prefer Eudora. These are all commercial, off-the-shelf products which use industry-standard hardware, reducing operating costs. Paper layouts have been all but eliminated.

U.S. News & World Report recognized early on the value of the Internet as a media outlet but did not seek to become a separate Internet-based media firm (as did Time-Warner, the parent firm of rival *Time* magazine, which famously merged with America Online to form AOL-Time Warner.) Noting that the media-firm/Internet-firm “vaunted synergy isn’t so vaunted” any more, the leadership of USN&WR seeks to use technology to create new outlets (and thus revenue streams) for its core competency of information gathering and dissemination. In other words, the goal is to use technology for revenue growth, not organizational growth. This decision led directly to transformation of the organization’s library into a knowledge management unit. It is important to note here that as USN&WR was doing this, the parent companies of chief rivals *Time* and *Newsweek* gutted the libraries supporting their news organizations.

Though still called the “library” informally and the “library and information services department” formally, the knowledge management office is an information support unit deeply integrated into the news operation. Initially the intent of this transformation was to leverage the high-cost skills of relatively expensive writers and editors. By making more and better information available to them via just-in-time technologies, writers and editors could become virtual experts and spread their writing talents across a broader array of subjects. To do this, the library had to change. When the effort began, the library was reactive, responding to specific requests for information, filling them, and delivering the responses to the requestor. The library had to change its focus from reacting to requests to anticipating writers’ and editors’ upcoming needs, then making databases, information links, and electronic copies of documents available just as and even slightly before they were called for.



This evolution required two important steps. First, an appropriate technology had to be found which would allow librarians unschooled in database design to create thematic document databases quickly. The library settled on Star by Cuadra (<http://www.cuadra.com/>) due largely to its ease of use. Second, the library staff, which had been attending editorial meetings, had to begin using information gleaned at the meetings to anticipate what information would be demanded for upcoming issues, seek it out, and load it into the databases. The library began hosting a company-wide party every Wednesday afternoon to foster back-channel communication between the editorial and writing staffs on the one hand and the librarians on the other. The library also began publishing each morning an internal e-mail on current news events, with hyperlinks to proprietary information sources on the company intranet as well as on the Internet. This e-mail goes out at 9:30 a.m. each day. All this activity led to unforeseen consequences.

First, making large quantities of thematically organized, “drill-downable” information available to all journalists, not just the requestors, meant more and better angles on stories, improving the quality of the publication. Second, consolidation of the information into easily searchable, well-organized formats created a product with potential for commercial sale. The “library” suddenly was changed from a cost center to a potential revenue source. The information in the “library” cum knowledge management office will form the core of some new, special publications. It is notable that this small “library” staff of 13-1/2 full-time equivalent professionals accounts for fully seven percent of overall permanent staff, and is hard-pressed to keep up with demand for its services. There is a message here for all infocentric organizations.

### **Overseas Posts**

U.S. News & World Report closed its last three overseas bureaus in 2002, citing the very high cost of maintaining expatriate bureau chiefs and declining reader interest in international stories. Today the magazine keeps two locally hired “special correspondents” on retainer, in Moscow and Jerusalem, and as mentioned above otherwise relies on a list of 178 stringers scattered around the world. The special correspondents receive a monthly payment, in return for which USN&WR has first call on their services. The stringers are strictly free-lance journalists, and their services are available on a first-come, first-served basis. If USN&WR is slow to react, a competitor may get to the stringer first, in which case USN&WR has to look elsewhere. In 2002, 29 of the international stringers were actually used, down from 42 the year before.

The stringers report to one of the assistant managing editors, who has his hands full keeping lines of communication open to all the domestic and foreign stringers while doing the rest of his job, too. As he put it, you may not need a story from a stringer in some country for eight months, then suddenly need something on a hot story immediately. You have to have a good, pre-existing relationship with that stringer which you have nurtured and kept alive, even though you haven’t bought a story from him for eight months—and that takes time and effort.

By contrast, *Time* and *Newsweek* continue to operate overseas bureaus and to retain larger numbers of locally hired correspondents. The difference is that both *Time* and *Newsweek* publish international editions in which they can print items from foreign contributors that don’t make the cut for the domestic, U.S. edition.

### **Corporate Culture**

One employee described the culture as “non-bureaucratic to the point of not having management,” which though a bit of a stretch is indicative of the nature of the organization. That isn’t the whole story, though. The Story really is the story.

U.S. News & World Report is a hybrid of mission and clan culture. The mission is to get a Story out. The Story may be on any subject. It may require the services of half a dozen writers, three editors, and half the library staff, plus stringers in several foreign locations, but they will all work single-mindedly on the common goal: publishing a Story about something important to the reader, their customer.



The clan consists of the journalistic profession, broadly, and adherents to the unwritten USN&WR philosophy of journalism, as described above.

The impact of the broader clan culture of the journalistic profession on this organization-level culture cannot be overstated. Journalists are scribes on a mission of documenting and interpreting current events, and the best of them adhere to strict standards of professionalism (see, for example, the ethical principles adopted by the Society of Professional Journalists at [http://www.spj.org/ethics\\_code.asp](http://www.spj.org/ethics_code.asp).) An organization which self-avows pursuit of a high-quality clientele (readership) must necessarily hold itself to high professional (journalistic) standards, and this sense is deeply embedded in the corporate culture. The values reflected in these professional ethics *de facto* constitute the values of the organization, and that is most likely why the organization has not felt compelled to write them down separately.

The organization uses clan control to guide behavior.<sup>61</sup> A small firm which constitutes part of a larger, clannish, mission-oriented profession has very powerful informal tools at its disposal to enforce adherence to high standards and an exemplary work ethic, and U.S. News & World Report's management uses this clan control to excellent effect—though probably not consciously!

As an organization, U.S. News & World Report is informal to the point of being casual, and behavior viewed as odd in a more structured firm is not given a second thought. Examples of this include bringing one's dog to work and wearing whatever clothes one feels comfortable wearing that day (everything from suit and tie to very casual attire was in the editorial board meeting). What you wear or what animal lurks under your chair are not important, as long as you are helping to get the Story researched, written, edited, and published.

### **Observations**

This highly informal management model works for three reasons. First, U.S. News & World Report is a small organization. Everyone knows everybody else, and communication runs throughout the organization. Second, everybody in the firm is focused on one thing (in this case, the journalistic endeavors of the organization). Third, all employees have been handpicked for ability to work cooperatively in teams, even under conditions of high stress. Remove any one of these conditions, and the enterprise would have to find another model. It is a high tribute to the firm's senior management that it has created the perfect conditions for the single most entrepreneurial model a news organization can have. The management did it by focusing on that which makes an organization: hiring and retaining excellent people.





*“Intergroup conflict requires three ingredients: group identification, observable group differences, and frustration.... Frustration means that if one group achieves its goal, the other will not...”*

Professor Richard Daft, Vanderbilt University  
in Organization Theory and Design

*“...the agricultural attachés became the most highly educated corps of line officers employed by the United States...the typical agricultural counselor...was a farm boy with a Ph.D. in agricultural economics...”*

Martin Mayer in The Diplomats

*“Many of the original FAS staff—particularly the attachés—viewed market development as a strange function. ...People with new expertise were brought in to help.”*

James O. Howard, in Partners in Developing Farm Markets Overseas

## Chapter 8. The Diplomats in Dungarees: The Foreign Agricultural Service<sup>62</sup>



### Overview

The Foreign Agricultural Service is an agency of the U.S. Department of Agriculture. It is authorized under Title 7 of the U.S. Code, specifically Sections 5692-5694.

The law charges the Foreign Agricultural Service (FAS) with the following duties:

#### “Sec. 5693. Duties of Foreign Agricultural Service

“The Service shall assist the Secretary in carrying out the agricultural trade policy and international cooperation policy of the United States by--

- (1) acquiring information pertaining to agricultural trade;
- (2) carrying out market promotion and development activities;
- (3) providing agricultural technical assistance and training; and
- (4) carrying out the programs authorized under this chapter, the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.), and other Acts.”

The agency is unusual in that it enjoys statutory authority to negotiate international agreements (food aid agreements) without requiring either Senate consent or formal approval of other U.S. Government agencies (7 U.S.C., Section 1701).





FAS collaborates with other Federal agencies in the carrying out of these duties, particularly with the U.S. Trade Representative and State Department. The agency assists the Under Secretary for Farm and Foreign Agricultural Services in his role as chair of the Food Assistance Policy Council, participates in trade-related interagency committees, and its overseas officers function as members of the Ambassadors' country teams. As a foreign affairs agency, the Foreign Agricultural Service sits on the Board of the Foreign Service and the Board of Examiners of the Foreign Service, as did its predecessor, the Office of Foreign Agricultural Relations.<sup>63</sup>

The service enjoys a tradition which dates nearly to the founding of the Republic. In his memoirs, Thomas Jefferson described his duties when posted to Paris as primarily consisting of ensuring access to the French market for U.S. agricultural exports.<sup>64</sup> Irregular reports from travelers were published first by the Patent Office, then when the Department of Agriculture was created in 1862, by its Statistical Division.

In 1882 USDA engaged a local "agent", with an office in the consulate general at London, to collect statistics on European agriculture, especially grains and meats.<sup>65</sup> These statistical collections supplemented statistical and narrative reports on foreign agriculture submitted by American consuls and consuls general around the world, which were published by the Department of State in a monthly circular, *Reports from the Consuls of the United States on the Commerce, Manufactures, Etc., of Their Consular Districts*.<sup>66</sup> Interest in foreign production and competition was great enough that in 1893 the Division of Statistics published Report No. 5 in the Miscellaneous Series, Production and Distribution of the Principal Agricultural Products of the World, a 200-page, Herculean consolidation of 10-year data series from foreign sources that is the direct ancestor of USDA's modern-day *World Agricultural Supply and Demand Estimates* and FAS's production, supply and distribution commodity circulars.<sup>67</sup>

In 1905 the Bureau of Statistics posted an American employee to London. His regular reports were published in monthly bulletins. During this time the Bureau's Division of Foreign Markets also generated special bulletins, for example Bulletin No. 42 of 1906, Russia's Wheat Surplus, by I.M. Rubinow, and Bulletin No. 69 of 1908, European Grain Trade, by Frank Rutter.<sup>68</sup> Some bulletins supported policy formulation at high levels of the Government. For example, the Bureau printed Miscellaneous Series Report No. 3 of 1915, Coöperative Credit Associations in Certain European Countries and Their Relation to Agricultural Interests, at the special request of the Joint Committee on Rural Credits of the U.S. Congress. World War I hindered data collection efforts, but in 1917 USDA created a Foreign Markets Investigation Division, anticipating the end of the war.<sup>69</sup>

Agricultural Commissioner Edward Foley was sent to London in May 1919, and this was followed in the 1920's by posting of more commissioners to Berlin, Belgrade, Marseilles, Rome, and Vienna as well as Shanghai, Pretoria, Sydney, and Buenos Aires.<sup>70</sup> These officials did not have diplomatic credentials, and this was found to impede their work. Creation of a new division in USDA's Bureau of Agricultural Economics to be called the Foreign Agricultural Service was proposed in 1924, but Congress authorized it only in 1930 with passage of P.L. 71-304, "The Foreign Agricultural Service Act."<sup>71</sup> Agricultural commissioners assigned abroad by USDA were thereafter granted diplomatic status and the title of attaché. In 1930, the number of commodity specialists in Washington was increased to eight, and emphasis shifted from geographic to commodity analysis.<sup>72</sup> From 1930 to 1938 FAS was a division of the Bureau of Agricultural Economics. In 1938 it was transferred to the Office of the Secretary.

In 1939 President Roosevelt ordered the attachés of both the Foreign Agricultural Service and the Foreign Commercial Service absorbed into the State Department.<sup>73</sup> FAS was abolished, and a rump organization of about 30 people, mostly analysts handling reports sent in by the now-State agricultural attachés, remained in USDA as the Office of Foreign Agricultural Relations (OFAR).<sup>74</sup> During World War II, in addition to its routine analytical work, OFAR prepared "reports for the Army and Navy and other war agencies on the food situation and problem in enemy, enemy-occupied, and allied countries" and "plans for the relief and rehabilitation of liberated areas."<sup>75</sup> After the war, OFAR analysis underpinned the food and agricultural



portion of the Marshall Plan with special analyses and reports on the food emergency in Europe.<sup>76</sup> In this way OFAR carried on the Bureau of Statistics' tradition of supporting governmental policy formulation with analysis and information.

The current incarnation of the Foreign Agricultural Service was created in 1953 by a Secretary's Memorandum.<sup>77</sup> Romeo E. Short, previously head of agricultural credit in USDA and a former vice president of the Farm Bureau, was appointed the first "director" of FAS.<sup>78</sup> Its core was formed out of three organizations: that portion of the 1930's FAS which had remained in the Office of Foreign Agricultural Relations; the attachés, who returned from State Department in 1954<sup>79</sup>; and a group of Marshall Plan veterans who had spearheaded the food aid side of the European recovery program.<sup>80</sup> This last group included individuals who had assisted with the Berlin airlift in 1948.<sup>81</sup>

The agency expanded over the next 40 years. Almost immediately, commodity specialists were added to operate market development programs.<sup>82</sup> In the fall, an additional 30 specialists were transferred to FAS from the Production and Marketing Administration to handle the Section 22 import programs.<sup>83</sup> In 1961 the Commodity Stabilization Service's general sales manager and the staff of the Barter and Stockpiling Division moved to FAS.<sup>84</sup> Then in 1993, the Office of International Cooperation and Development was fused with FAS as part of a broad, departmental reorganization. This blending of several organizations into one is important to keep in mind, for reasons that will become clear later in this paper.

About 1400 direct-hire employees, independent contractors, and contractor employees work today for the Foreign Agricultural Service, not counting employees of the market development cooperators but including employees of the Farm Service Agency who occupy administrative support positions. American officers are posted to 47 foreign countries plus a regional trade office in Miami. Offices staffed solely by foreign nationals are found in roughly another 40 countries. The FAS administrator and two associate administrators (one titled the general sales manager) are appointed by the Secretary with concurrence of the White House. The administrator is assisted by five deputy administrators, who are career public servants from either the senior executive service or the foreign service. Heads of overseas offices are supervised by Washington-based "area directors" who report to the deputy administrator for foreign agricultural affairs.<sup>85</sup>

### **Vision, Mission, Values**

The Foreign Agricultural Service has struggled with articulating a vision and redefining its mission for the past several years. A proposed vision statement is included in the draft market strategy but has not yet been formally adopted. The current mission statement, found on the agency intranet and in the current strategic plan, reads, "FAS services U.S. agriculture's international interests by expanding opportunities for U.S. agricultural, fish, and forest products and promoting world food security."

FAS has never adopted a common, agency-wide set of values.

### **Planning**

Agency-wide planning began in the 1980's, and since then FAS has periodically published strategic plans. The most recent is the 15-page "Strategic Plan 2001-2005". A new strategic planning exercise, known as the Global Market Strategy, was mandated by Congress in the 2002 Farm Bill, and is presently under review by both the FAS field offices and FAS's stakeholders. An electronic copy is available on the agency intranet for all employees to review.

FAS began annual planning at overseas posts in 1972, though its record to the present is not continuous.<sup>86</sup> In 1998 the overseas post plans were slimmed down to focus almost exclusively on market development activities. While less burdensome than earlier post planning exercises, the new plans do not easily encompass activities in support of food aid, market access needs, technical assistance, and general information gathering.





No planning is required of domestic offices aside from annual budget submissions, though the draft Global Market Strategy envisions requiring them to prepare annual tactical plans. Some divisions voluntarily prepare annual plans of work but these are not yet necessarily linked to the agency's strategic plan.

### **Communication**

FAS is a stovepiped organization, with five program areas pulling in what often turn out to be different directions. For example, briefing materials for policy-makers are normally drafted in sections by different program area offices, then must be pulled together by a third party—who often finds the program areas are at odds with each other, policywise. In the mid-1990's, FAS management attempted to address this in part by mandating rotation of mid-level managers to new jobs at least every seven years. Communication across the stovepipes is somewhat facilitated by e-mail and the recent introduction of Lotus Notes as a document sharing engine.

A Naval Air Systems Command systems analysis of FAS functional processes, which included communication, yielded two pertinent observations. First, "processes comprising tasks and the information flows are highly encapsulated and unidirectional without feedback." This means FAS is stovepiped within production units (branches and divisions) and that while information flows up, very little information flows back down, particularly information on how products delivered to the leadership might be improved. Second, "information is not freely shared across FAS program areas."<sup>87</sup>

Communication with overseas posts is highly problematic, and led the Navy to conclude tongue-in-cheek that FAS does not have posts, but rather, "outposts."<sup>88</sup> As one example of this, when USDA banned imports of beef from Europe in the late 1990's, FAS headquarters briefed the European Union's agricultural attachés resident in Washington but neglected to inform its own overseas representatives in Europe of the action, leaving them to find out when angry host-country officials called them. In another case, it was discovered in the late 1990's that Export Credits was negotiating and signing food aid agreements in Washington with both foreign embassies and private voluntary organizations, not having first consulted with the overseas posts. This led to some serious implementation problems.

This having been said, the advent of electronic mail means posts are flooded with requests for information directly from end users. The old system of clearing all requests to overseas posts through the area directors and the former Reports Officer, though still on paper, has not been observed or enforced for years.

FAS relies heavily on e-mail for internal communication, though the new Knowledge Management Staff<sup>89</sup> has created an online bulletin board and maintains an intranet site accessible both domestically and overseas. The administrator chairs weekly "big" meetings attended generally by most managers and division directors, and regular group meetings with her direct reports. Division directors and branch chiefs are expected to carry information back down the chain of command in their own staff meetings, and most, but not all, do. There has been no employee newsletter for decades, but an electronic bulletin (known as the "blue sheet", since its paper progenitor was printed on blue paper) is posted to the intranet. Attaché reports are archived to the intranet and are accessible from anywhere on the agency's global computer network.

Informal links are critical to smooth functioning of the Foreign Agricultural Service, and were documented in Navy (2002). Much information moves horizontally across the organization informally, but it is not systematic and is highly dependent on relationships between offices.

### **Staffing**

Staffing is similar to that of USFCS: the dual personnel system for American direct-hires, general schedule for civil servants and foreign service personnel system for foreign service officers. There are about 900 direct-hire employees, including 700 at headquarters, and the remainder abroad. Of this last group, just over 100 are foreign service officers, and about 100 are direct-hire foreign service nationals. FAS hires





about 350 local employees as either personal service contractors or under "personal service agreements." Approximately another 140 American citizens work in the headquarters as either direct-hire employees of the Farm Service Agency who support FAS exclusively and whose salaries are paid from the FAS appropriation, or as employees of private-sector contractors for information technology and travel services. In addition to domestic headquarters and overseas field offices, FAS has one domestic field office, the Caribbean Basin Agricultural Trade Office in Miami, and has seconded employees to the U.S. Trade Representative and selected international development banks. As this is written, two FAS foreign service officers serve as American Ambassadors.

The Department of Agriculture provides to FAS certain types of administrative support, including legal counsel, payroll, audit, and ethics compliance services. Overseas administrative support is obtained through ICASS, with State Department the primary service provider.

The International Cooperation and Development program area enjoys "Schedule B" authority to hire civil servants on limited appointments.<sup>90</sup> These employees count against the personnel ceiling and typically are seconded to other Federal agencies (mostly USAID) under reimbursable agreements.

FAS outsources some market development, food aid, and development work. The market development cooperator program, begun in 1955 and expanded greatly in the 1960's, is carried out by commodity trade associations under cooperative agreements with USDA.<sup>91</sup> Private charity groups handle food aid for FAS under contract to the Commodity Credit Corporation. Land-grant universities and in some cases private firms are used for international training and technical assistance programs, the former under cooperative agreements and the latter under competitive contracts.

Most administrative functions were taken out of FAS in the mid-1990's as part of the Clinton Administration's reinventing government initiatives and are now part of a consolidated administrative unit housed in the Farm Service Agency. These include human resources, fiscal operations, acquisition, some information technology, and other management services. Logistical support for the overseas posts, the budget office, and half of the information technology unit were returned to FAS in Fiscal Year 1997 to improve customer service. The functions remaining in the Farm Service Agency are paid for by the Foreign Agricultural Service, but there are neither a service-level agreement nor chain-of-command authority. This has at times caused serious problems, such as lack of attention to information technology infrastructure critical to FAS but not to FSA, and slow action on time-sensitive procurements.

### **Corporate Governance**

The administrator's position is established by law, and she enjoys broad discretionary authority under the law, as well as powers delegated to her formally by the Secretary and Under Secretary. She is assisted by two associate and five deputy administrators. By law she may direct overseas assignment of FAS employees. In theory the administrator provides to her subordinates general policy guidance and interprets for them such policy guidance as she may receive from the Secretary and the Under Secretary for Farm and Foreign Agricultural Services. In practice it is, of course, more complicated.

The sense of each program area functioning independently has historic roots. The reader will recall that in the past the Office of the General Sales Manager (export credits and food aid) and the Office of International Cooperation and Development (technical assistance) were separate USDA agencies and not part of FAS. At one point in FAS history, the head of the attaché service was the second-ranking official in the agency. For a short time, 1979 to the mid-1980's, the commodity division directors sat on the Personnel Assignments Committee along with the assistant administrators, as they were also members of the senior executive service. Compounding that, at another point in FAS history, the head of commodity and marketing programs controlled assignments of agricultural trade officers and could demand the curtailment of certain attaché assignments.



Two senior corporate governance bodies exist, the Executive Advisory Group (EAG) and the Information Resource Management (IRM) Review Board. The former, successor to the old Personnel Assignments Committee, is chaired by one or the other associate administrator and includes the five deputy administrators. Its primary function is to assign returning attachés to jobs in Washington and assign outgoing attachés to posts overseas. A secondary function, adopted as part of a collective bargaining agreement in the 1990's, is to oversee personnel rotation within the headquarters, including approval of extraordinary assignments outside the norms of the service (e.g., details, competitive training, and secondments.) The EAG's decisions are not binding and constitute recommendations to the administrator.

The IRM Review Board is chaired by the administrator and consists of the associate and deputy administrators plus the Farm Service Agency chief information officer. It is responsible for approving information technology policy and investment decisions.

Other, working-level, corporate governance bodies exist, such as the Section 108 committee, which approves uses of foreign currency proceeds, and the Capital Planning and Investment Committee, which vets proposed information technology expenditures. These represent positive first steps in the direction of a cross-agency, team approach to making agency-level decisions, and of decentralization of decision-making in the agency.

Agency management is somewhat constrained by collective bargaining agreements with two labor unions, the American Federation of State, County, and Municipal Employees (AFSCME) for the civil service and the American Foreign Service Association (AFSA) for the foreign service. From 1995 until 2001 FAS governance was heavily influenced by a "partnership council" of the three parties (the two unions and management) mandated by executive order. Conflict arose between the two unions during the 1990's. The issue at stake was which bargaining unit's members, in what proportions, should contend for the limited number of positions which, to the civil service, represented promotions.<sup>92</sup> This issue was resolved by negotiation of a partnership council agreement on job rotation which also was expected to help address the stovepiping problem among managers. Partnership councils were abolished by executive order in 2001.

The Secretary appoints advisory committees under the Advisory Committee Act to counsel her on international agricultural affairs, the agricultural trade advisory committees (ATACs, broken out into commodity groupings) and the Emerging Markets Advisory Committee. Though these committees formally report to the Secretary, they work closely with mid-level FAS managers on policy formulation and assessment.

We must also mention the role of the World Agricultural Outlook Board, a staff office of the USDA chief economist, in approving official USDA data. Agricultural attaché reports are marked "not official USDA data", and data published in FAS circulars may only go out after approval by the "World Board." This is done to ensure consistency of statistical data across the Department, and serves as a quality control check.

### **Technology**

Automation at the agency level began in 1965 with "computerization" of fiscal tracking of the market development cooperator program.<sup>93</sup> In the 1970's a heavily automated remote sensing unit for analysis of satellite imagery was established at the Johnson Space Center in Texas. It subsequently moved to Washington and is now part of the Production Estimates and Crop Assessment Division. Despite that lengthy history, adoption of technology has been uneven across the agency, and pockets of resistance even to office automation still exist. Funding problems through the current fiscal year, compounded by lack of attention from the Farm Service Agency when it was responsible for FAS technology, resulted in obsolescence of hardware and software as well as inadequate telecommunications bandwidth. This led to a series of weekly system failures in 2001 which forced the agency to recognize the need to invest more in office automation and telecommunications.



On the positive side of technology, FAS is a national repository for satellite imagery, and operates a world-class remote sensing unit. It has established a knowledge management office and is in the process of building a global broadband wide-area network to replace its reliance on the Diplomatic Telecommunications Service. FAS was one of the first USDA agencies to establish a world-wide web presence.

The Foreign Agricultural Service has adopted the USDA Common Computing Environment standard for operating systems and desktop software, except that Lotus Notes is used for e-mail, document management, and calendaring due to its built-in security features, more robust handling of low-bandwidth WAN environments, and low susceptibility to virus attacks. In 2002 FAS installed a classified electronic mail facility.

Navy (2002) noted a World Agricultural Outlook Board assessment that there exists a “definite correlation between the technical savvy of the commodity analysts and the quality of the circulars with respect to numerical errors. Such unintended errors can adversely impact world commodity prices and market stability.”<sup>94</sup> This statement speaks volumes for the need to ensure that new FAS hires be technologically “savvy” and have a propensity for acquiring new information technology skills, as well as for ongoing training in information technology.

### **Overseas Posts**

FAS operates 101 field offices in 87 foreign countries and 1 domestic field office, the Caribbean basin regional office in Miami, Florida. Of these 102 offices, 62 are headed by American officers and 40 are covered wholly by locally hired staff who report to an American officer at a nearby post. A minimum of six overseas posts must be designated “agricultural trade offices”, which focus on marketing and enjoy reduced reporting responsibilities. Section chiefs of FS-01 rank and higher are automatically granted the diplomatic title of counselor. By law a maximum of 12 positions may be granted the higher diplomatic title of minister-counselor.

American officers are payrolled through the National Finance Center in New Orleans, while local hires are payrolled through the embassies.

The typical office is headed by a single American officer with two to four local employees and covers three countries, including the country of residence. The largest offices feature several officers, a dozen or more local hires, and are typically headed by a senior foreign service officer. The smallest office consists of a single local hire, who may have a cubicle in the commercial section of the embassy.

The world is divided into six regions, each with an “area director” supervising the posts in her or his assigned region. The area directors form three teams, so that when one is on the road the other can backstop her or his colleague. The area directors are kept quite busy, between post oversight responsibilities and the burden of coordinating briefing materials for the Department’s policy-makers. Unlike their counterparts at USFCS or Catholic Relief Services, they do not have professionally qualified deputies to share the workload. Also, this regional breakout does not correspond exactly with the regional breakout used by the International Trade Policy program area, creating opportunities for both overlap and coverage gaps.

FAS is unusual among foreign affairs agencies in that it enjoys three different statutory authorities for assigning personnel abroad: the Foreign Service Act, found in Title 22 of the U.S. Code; the original authority in Title 7, Section 1762 of the U.S. Code for posting of agricultural attachés and counselors abroad (the pre-1980 authority which authorizes posting of civil servants); and the agricultural trade office authority contained in the Agricultural Trade Act of 1979, codified in Title 7, Section 1765a of the U.S. Code. In the overseas environment, the agricultural officers function within a matrix management scheme, as they report both directly to the Foreign Agricultural Service headquarters (7 U.S.C., Section 1592,





subsection c) and to the ambassador at post (22 U.S.C., Section 3927). The ambassador writes a formal performance evaluation which can influence career prospects.

FAS has historically prized high levels of technical skills in its attaches, particularly in commodity analysis and marketing, over management skills. As the complexity of post management has increased over the years, and especially as FAS has moved to a more regional footing, the need for better management skills has become more apparent. FAS has also shifted its reporting to a more narrative-oriented, as opposed to data-oriented, style, yet has not made improved writing and editing skills a priority either in its attaché cadre or the pool of junior professionals from which attachés are drawn. In an era of next-day publishing of attaché reports to the web, this need has become more obvious.<sup>95</sup>

### **Corporate Culture**

The Foreign Agricultural Service has a task-oriented, bureaucratic culture<sup>96</sup> with four distinct subcultures. Each of these subcultures has clannish overtones, and the last two listed below display elements of a mission orientation. Naturally, the subcultures have historical origins, in three cases dating to before 1953. This testifies to the durability of corporate cultures, since everybody employed by FAS in 1953 has long since retired. The four subcultures can, for want of a better classification system, be described as follows:

- the analyst subculture,
- the marketing subculture,
- the surplus disposal subculture, and
- the development subculture.

To some degree the influence of these subcultures has been masked since the late 1980's by the civil service/foreign service dispute, which led to formation of two personnel task forces and an overhaul of the assignments process. In many important ways, however, the four subcultures exert more influence on workplace attitudes than do the personnel systems under which employees are hired, paid and promoted.

Competition among these strong subcultures in setting priorities explains in great measure FAS's inability to agree on vision, mission, and shared values. To understand these subcultures, we must delve a little deeper into the origins of all of FAS.

#### *The analyst culture*

The Office of Foreign Agricultural Relations (OFAR), which existed from 1939 to 1953, was in John Montel's words "tiny".<sup>97</sup> OFAR's roots were firmly in the Bureau of Statistics Foreign Markets Division and its reliance on the handful of 1920's overseas "commissioners". OFAR's practices had their origins in publication of statistical compendia.

It was staffed with economists and statisticians who often had never been abroad before coming to OFAR, leavened with a handful of naturalized foreigners possessing some area expertise. The tightly knit mix of analysts and area specialists relied on the attachés for commodity and other reports, as well as support during their rare visits. These OFAR analysts were therefore the origin of the FAS field dictum that to get ahead, you had to "get the reports in on time and let no visitor leave unhappy."<sup>98</sup> The two groups interacted productively as they were by and large operating on the same wavelength. After all, the attachés were normally hired by State Department only after a thorough vetting by OFAR, which usually, though not always, ensured that the State-administered attachés would conform to OFAR's expectations of "farmboys with Ph.D.'s".<sup>99</sup>

OFAR was transformed back into FAS on March 10, 1953 by USDA Secretary Ezra Taft Benson. At first, this new organization had two program areas: "foreign service and agricultural analysis", headed by Fred Rossiter, and "management", headed by Art Minor.<sup>100</sup> On October 23, 1953 Gustave Burmeister was





appointed assistant administrator for a third program area, “market development”, which was divided into commodity divisions, each further subdivided into marketing, analysis, and competition branches. On August 28, 1954 the attachés were returned to FAS from State Department by P.L. 83-690.<sup>101</sup> On June 29, 1955 Fred Rossiter’s program area was split into “agricultural attachés” and “agricultural trade policy and analysis”, giving FAS four program areas.<sup>102</sup> Gustave Burmeister was shifted to trade policy, and Administrator Gwynn Garnett took over market development personally until he could arrange for Patrick O’Leary, then a branch chief in the Foreign Trade Programs Division, to be promoted past several division directors to assistant administrator.<sup>103</sup>

This early FAS had a distinct culture rooted firmly in the analytical traditions of the Bureau of Statistics, its successor, the Bureau of Agricultural Economics, and OFAR: faithful, accurate reporting on agricultural economic phenomena, crop outlooks, and trade prospects.<sup>104</sup> These analysts valued timeliness, accuracy, and honesty, as Jim Kempton, then attaché in Caracas, emphasized in his informal guide to fieldcraft, “The Official Life and Hard Times of An Agricultural Attache”.<sup>105</sup> As FAS began to grow and both the attaché service and analytical offices expanded, new hires were selected who had advanced college degrees in agricultural economics. FAS also established a “Junior Professional Development Program”, under which college graduates in agricultural economics were hired and developed through on-the-job training and advanced courses.<sup>106</sup> This focus on professional qualifications led to Martin Mayer’s comment in *The Diplomats*, “...the agricultural attachés became the most highly educated corps of line officers employed by the United States.”<sup>107</sup> These newcomers were duly indoctrinated in the cultural values of timely and accurate reporting and of unbiased analysis.

The analyst culture suffered a setback in April 1961 when “(r)esponsibility for foreign trade statistics, monetary matters, and agricultural analyses by regions” was transferred to the newly created Economic Research Service and the Statistical Reporting Service.<sup>108</sup> Howard (1989) adds, “This action left FAS free to expand its scope of market promotion activities.” More recently FAS analysts have had to compete with dozens of open sources of market intelligence, much of it in real time, and so have lost some stature as a source of raw data. Today their value added is as “knowledge brokers”, based on their reputation for absence of bias in analysis and in their ability to develop from the raw data knowledge products that support policy- and decision-making.<sup>109</sup>

Curiously, today’s analysts have in some instances forgotten the agency’s historical role in providing analysis to the political leadership in support of policy formulation. Navy (2002) found, for example, that preparation of briefing papers for Departmental policymakers is considered “a necessary evil among collateral duties,” and not a core function.<sup>110</sup> Witness also the commodity divisions’ reluctance to analyze commodity issues in countries not critical to trade flows but of crucial policy importance to the Administration for other reasons (e.g., Afghanistan).

Their spiritual successors are mainly found today in the analysis sides of the commodity divisions, in the Production Estimates and Crop Assessment Division, and in the analytical units of trade policy.

### *The marketing culture*

FAS quickly discovered a role for market development, and under authority of P.L. 480 and the Commodity Credit Corporation Charter Act created the market development cooperator program in 1955.<sup>111</sup> Patrick O’Leary replaced Gustave Burmeister as head of the renamed “market development and commodity programs”.<sup>112</sup> FAS discovered that the existing staff of academically oriented analysts was ill suited for trade promotion. In that year the agency began to hire commodity specialists away from the Extension Service, the Production and Marketing Administration (predecessor twice removed of the Farm Service Agency), and private industry. These 1950’s marketing specialists were selected for commodity expertise, not academic credentials, and thus as a rule had less formal schooling than the analyst “farmboys with Ph.D.’s”.



Tension arose between the two camps, as the economists formed a professional clique with paper qualifications the marketing specialists, some of whom had not even attended college, could not claim.<sup>113</sup> This difference in qualifications became apparent when marketing specialists and economists competed for promotions. The economists had an advantage, since any economist could qualify for both economist and marketing specialist openings at the next higher level and could thus cross over. The better-educated economists on average had better writing, statistical, and as the Information Age dawned in the 1970's, computer skills compared to the marketing specialists. Marketing specialists, however, could not apply for promotion to higher-level economist jobs without first meeting the educational requirements. Marketing specialists thus faced fewer real promotion opportunities than the economists, adding injury to insult, and this was cause for no little discontent.

In the 1970's the marketing specialist job series, since it required no academic credentials, came to be used as a diversity tool to bolster agency hiring of underrepresented groups. The Foreign Agricultural Service went to great lengths during this period to recruit academically qualified women and minorities as economists, many of whom subsequently rose to the highest levels of management, but was pressed to increase the number of non-clerical minorities and women beyond what that effort could yield. This pressure led in a relatively small number of cases to the hiring of marketing specialists with neither commodity expertise nor academic training. Although over time most of these hires acquired needed competence through on-the-job training, two negative perceptions emerged. The first negative perception was, since literally any secretary or voucher examiner could become a marketing specialist, marketing must not be a job which requires any particular skills. Second, since the groups targeted were women and minorities, it perpetuated the attitude in some circles that FAS could only increase its representation of these groups by recruiting the unqualified. This proved a disservice both to the marketing specialists and to the underrepresented groups. It perpetuated negative racial and gender stereotypes, and widened the gulf between the "analyst" and "marketing specialist" subcultures.<sup>114</sup>

Enter now the close ties to "the trade" the marketing specialists enjoyed and indeed fostered. The marketing specialists valued these tight relations with "the trade" and saw as their mission the protection of "the trade's" interests. Rightly or wrongly, it is not uncommon for marketing specialists to be accused of working for the market development cooperators, and not for FAS. In disputes with analysts, marketing specialists increasingly used the close ties to the trade to win arguments over conduct of agency programs and even the analytical content of publications. Due to the influence of the trade associations and particularly the cooperators, in certain important respects the marketing specialists gained the political upper hand over their analyst colleagues by no later than the late 1970's.<sup>115</sup>

This faction's spiritual successors are found on the marketing sides of all the commodity divisions, and in fact the market development subculture is today the dominant culture of the commodity divisions.

#### *The surplus disposal culture*

In May 1997, an Export Credits task force noted in a formal report to management that the FAS draft strategic plan of that year marked a departure from the agency's "historical role of surplus management towards one of identifying market opportunities and assisting U.S. exporters in expanding their share of those markets."<sup>116</sup> The team which drafted this report included nobody with more than 25 years of service in the agency, and the majority of members had less than 20. In other words, none of them could even remotely be considered veterans of the Berlin airlift, the Marshall Plan, or launching of the Food for Peace program—in those years, most of them had not even been born yet. Nevertheless, the Export Credits team members were unaware that FAS's core mission from 1930 to then, as embodied both in acts of Congress and the organization's history, was to identify market opportunities and assist U.S. exporters.<sup>117</sup>





The surplus disposal culture was introduced to the Foreign Agricultural Service by Gwynn Garnett. Garnett was the man behind the food aid component of the Marshall Plan.<sup>118</sup> As a legislative liaison for the American Farm Bureau Federation he was also a principal author of Public Law 480. In 1955, after P.L. 480 was enacted, he left the Farm Bureau to become FAS Administrator.<sup>119</sup>

Two statutory authorities existed by the mid-1950's for disposal of commodity surpluses, Section 416(b) of the Agricultural Act of 1949 and Public Law 480, passed in 1954. FAS attachés were responsible for field implementation and oversight of these programs. FAS headquarters did not actually administer the Washington side of them, though technically FAS was responsible. The Commodity Stabilization Service did. That was where one found the general sales manager and the Barter and Stockpiling Division, to which Kempton referred when he wrote about the "group responsible for moving surpluses."<sup>120</sup>

The general sales manager position (GSM) was created in USDA's Commodity Stabilization Service (CSS) effective July 1, 1955 by CSS Notice General No. 305, dated June 28, 1955. The Commodity Stabilization Service was successor to the post-war Production and Marketing Administration and predecessor once removed of today's Farm Service Agency. The first GSM was Frank C. Daniels. He had a very small staff, and he was considered to be part of the immediate office of the CSS Administrator. He had no line control over the CSS operational divisions but made all policy determinations, including setting prices, for Commodity Credit Corporation (CCC) sales. He was also designated a vice president of the CCC.<sup>121</sup>

The surplus disposal group was thus not only not part of the dominant culture, it was not native to FAS, and for long periods it was largely isolated from the FAS mainstream.<sup>122</sup> On April 19, 1961 the Secretary of Agriculture transferred both the GSM and the Barter and Stockpiling Division of CSS to FAS.<sup>123</sup> They stayed until the GSM got his own agency in 1969, the Export Marketing Service. The Ford Administration merged the general sales manager back into FAS in 1974, where he remained until Representative Jamie Whitten succeeded in forcing creation of a separate Office of the General Sales Manager (OGSM) in 1977. OGSM was merged back into FAS for the last time in 1981, at the beginning of the Reagan Administration. As mentioned above, however, sixteen years thereafter the surplus disposal subculture of Export Credits (the GSM's original program area) remained vibrant enough to be acknowledged in a formal Export Credits policy document.<sup>124</sup>

This subculture values process and operational procedure, since those are the keys to observing the statutory requirements of the commodity surplus disposal, commodity export credit guarantee, and food aid programs. Export Credits program reviews typically focus on process design and mapping with an eye to process improvement, and not to the broader view of whether the processes should be consolidated with other agency functions, replaced, or discontinued. This proclivity actually sets Export Credits apart from the rest of the agency more than any tendency to see FAS's mission as one of surplus management and food aid delivery.<sup>125</sup>

### *The development culture*

Though the Office of International Cooperation and Development (OICD) is viewed as a relative newcomer, its merger with FAS in 1993 actually constituted a homecoming. OFAR had a technical collaboration branch which in the 1940's trained foreign agricultural specialists from and managed joint agricultural research programs with Latin American countries. In the period 1951 to 1954, OFAR and FAS collaborated with the Extension Service to train and send overseas roughly 400 agricultural development specialists as part of an Administration effort, the "Point IV Program", to raise standards of living in foreign countries around the world.<sup>126</sup> These programs and the staff who ran them were subsequently transferred to the International Cooperation Administration, forerunner of the U.S. Agency for International Development.<sup>127</sup> By the time Secretary Benson addressed the Paris attaché conference in September 1955, the technical assistance programs were gone.<sup>128</sup> The only vestige remaining in FAS was Cannon C. Hearne's "training division", forerunner of today's Representation, Foreign Visitors, and Protocol Staff.<sup>129</sup>





The agency known as OICD was created in 1980 through the efforts of Dr. Quentin West, former administrator of the Economic Research Service (ERS) and a former branch chief in FAS's Foreign Agricultural Analysis Division, to consolidate several diffuse technical assistance programs in USDA.

How agricultural technical assistance migrated from USAID back to USDA is worth recounting. In the 1970's, the U.S. Agency for International Development's headquarters staff included several agricultural development specialists handling overseas projects. Ostensibly to increase efficiency of government, but in reality due to criticism about USAID having too many people in Washington, they were transferred to USDA. Since the Economic Research Service had analysts specializing in foreign countries,<sup>130</sup> the development specialists ended up forming the Foreign Development Division of ERS. The division had two branches, for technical assistance and international training, and was funded mainly through a single, large USAID contract.

During the Carter Administration, Dr. West was replaced as administrator of ERS and reassigned to the Under Secretary for International Affairs and Commodity Programs as a special assistant. Over the course of the next two years Dr. West assembled three units into a package, which he proposed be consolidated into a new Office for International Cooperation and Development. They were:

- ERS's Foreign Development Division;
- the foreign currency-funded exchange programs of the Science and Education Administration, a consortium of USDA agencies engaged in international research; and
- FAS's International Organization Affairs Staff, which though originally under the assistant administrator for attachés was now attached to the Office of the Administrator.<sup>131</sup>

This critical mass of programs gave OICD technical assistance, training, foreign currency-funded research, and international organization liaison responsibilities.<sup>132</sup> The aid-oriented staff attracted to these programs saw as their missions development and technical assistance, and tended to discount quite seriously the core FAS mission of promoting exports. In essence, OICD imported its subculture from USAID, an agency historically often in conflict with FAS. To make matters worse, FAS succeeded in using OICD as a dumping ground for officers who had fallen out of favor.<sup>133</sup> These periodic insults did little to smooth over the deep cultural divide between the two agencies.

This clash of subcultures boiled over when then-Secretary Mike Espy arranged for the two agencies to merge in 1993. During planning of the 1993 reorganization, the OICD representative on the merger team demanded and got Administration consent to change FAS's name, to "International Agricultural Trade Service." The rationale was that a clean break from the past was called for in order to give OICD a shot at helping to create a new corporate culture in the new, hybrid agency. That move was thwarted by Congress, however, which at the urging of certain cooperators refused to change FAS's name in the bill which reorganized USDA.<sup>134</sup>

Today the International Cooperation and Development subculture is moving in the direction of support for the core FAS missions of promoting exports and world food security. Simultaneously, the dominant FAS culture is recognizing a role for technical assistance in promoting exports overseas. The new concept is "trade capacity building", and it holds promise for a slow but sure convergence of the two subcultures, at least to some degree.<sup>135</sup> To comprehend the amount of effort needed for reconciliation on both sides, however, one must recall that at the first FAS attaché conference at Paris in 1955, after USDA had shipped all agricultural technical assistance programs off to the future USAID, Secretary Benson set the tone for the next 38 years by reminding the assembled attachés,

"The United States, as a matter of foreign policy, is aiding many countries in their agricultural development. But the Congress and the President did not give the



Department of Agriculture the responsibility for foreign development. That responsibility is vested elsewhere in our government. Our own primary mission is to help U.S. farmers. Any unnecessary diversion of our efforts to other enterprises dilutes our effectiveness and runs counter to the expressed wishes of those who gave us our assignments.”<sup>136</sup>

#### *Why the subcultures are important*

Each of these four subcultures embraces different values, and at times the differing values create conflict. This is the fundamental reason FAS has been unable to come to agreement on a vision, mission and common values. Here is an example.

#### *Analyst vs. Marketing Specialist*

*Analysts who prize truth and accuracy will gladly deliver bad news to all comers. The truth is what is important, and unbiased analysis is critical to discerning the truth.*

*Marketing specialists interested in not “upsetting the trade” with bad news will seek to interpret data to make prospects appear more favorable, regardless of the downstream consequences.*

The conflict of the analyst and marketing subcultures is deep enough it has been reflected in the organizational structure of FAS as well as in its work products. Though in 1953 analysis and marketing were combined in each division, a reorganization in 1975 acknowledged the split in cultures and separated the two factions, with one assistant administrator supervising “foreign commodity analysis” and another “foreign market development” (see the November 2, 1976 organizational chart, Figure 13). When the commodity “super-divisions” were created in 1979 by merging commodity analysis with market development, disagreements quickly re-emerged.<sup>137</sup>

This led to former Administrator Richard Smith’s decision in 1981 to split production analysis out of the commodity divisions. By then the political clout of the marketing specialists had reached the point that production estimates were no longer perceived internally, at least by the analysts, as reliably unbiased unless the commodity divisions were kept away from them. Administrator Smith, a creature of the analyst subculture, created separate divisions for production estimates and trade data, the “Foreign Production Estimates Division” and “Trade and Economic Information Division”, and a new program area under its own assistant administrator, “International Agricultural Statistics”, to house them. Pressure to interpret data and reports creatively existed mainly for the commodity estimates subject to the World Agricultural Outlook Board “lockup” process, which are the estimates that move prices on the commodity exchanges.<sup>138</sup>

It was also the major reason auditing of cooperator activities was taken from the attaché service and handed to a separate “Compliance Review Staff” in 1983. Pressure on the attachés not to lean on wayward cooperator employees was intolerable, so oversight was taken from them and given to an auditing group that reported directly to the administrator. On top of that, pressure on attachés to show favorable bias in their evaluations of cooperator activities was so great that in January 1985 Administrator Smith felt compelled to remind the cooperators in writing of the obvious, that FAS’s attachés work for FAS, not the cooperators.<sup>139</sup>

By the late 1970’s the agency even consciously acknowledged the difference between “attachés” on the one hand and “marketing specialists overseas” on the other through creation of agricultural trade offices.<sup>140</sup> Attachés came from the analytical culture, and the marketing specialists needed their own overseas niche. The agricultural trade office, with its statutory near-prohibition on reporting duties, provided it, and also codified in law the divide between “analyst” and “marketing specialist”.



The marketing culture has clearly come to dominate the commodity divisions. For example, in the early 1990's, early predictions of the impending decline of the post-Soviet grain market, obvious to Soviet analysts in the agency, were suppressed by FAS's grain and feed division out of concern that it would "upset the trade." More recently, when the latest draft of the global market strategy was unveiled, the initial reaction of certain commodity divisions was that "their" commodities were not prominent enough in the document, not because analysis would support greater prominence, but for political reasons. The dominance of this subculture would also go far in explaining the agency's aforementioned shift over time from willingness to reluctance in responding to information requests about countries and commodities not critical to trade flows, but important to Congress and the Administration for political reasons.

A more rational decision would have been to adopt a common set of values for the entire agency and to enforce them through hiring and performance management. FAS management sought instead to avoid the problem by carving out separate organizational domains. At some point, these conflicting cultural values need to be reconciled if the agency is ever to agree on what its mission is, and in particular if it is to protect the reputation for unbiased analysis that is a major source of the Foreign Agricultural Service's credibility.

It is also troubling that changes to the organizational design over the years have focused on dealing with internal conflict rather than serving the agency's customers more efficiently. Aside from the failure of organizational design to fix the problem of divergent cultural values, an internally oriented organization is simply staring in the wrong direction.





*“You can buy knowledge by the yard today, but insight is still quite rare.”*

Gary Hamel, Professor of Business  
Harvard Business School and the London Business School

*“...we must be prepared to address the challenges and take advantage of the opportunities in the ever-changing marketplace...”*

Ann Veneman, Secretary of Agriculture  
at the Outlook Conference, February 20, 2003

*“Only the paranoid survive.”*

Andrew Grove, Chairman, Intel Corporation

## Chapter 9. Conclusions

The objective of this study is a comparative analysis of other organizations with the Foreign Agricultural Service in search of ways to improve that organization's ability to adapt to increasing rates of change. As part of that effort, we have examined the nature of six organizations with international responsibilities. We have contrasted them with the organizational nature of the Foreign Agricultural Service. The six differ in many ways. They range in size from 200 to 24,000 employees, from non-profit to over \$20 billion in turnover, from pursuit of profit to pursuit of truth to pursuit of social justice. They nevertheless bear some common, positive traits which improve their adaptability to change and thus their prospects for success. Some of them also employ excellent practices which, though in some cases unusual, bear closer examination and perhaps emulation.

### *Common Traits*

#### *Vision, Mission, Values*

All six have a unifying mission and possess a set of commonly shared values, though not all have written them down. Four of the six have formal vision statements. The two private, for-profit firms have not articulated formal vision statements, yet employees of these firms know precisely where the firms are going. The values are used in making decisions on hiring staff, deciding on programs to implement or stories to write, and they set a high ethical bar for corporate behavior. All the firms realize the importance of establishing these guideposts and, more important, see the payoff from it.

**FAS should adopt a vision statement as part of the Global Market Strategy, refine its mission statement, and appoint a task force to draft a common set of corporate values. FAS should then propagate these statements on mouse pads, posters, notepads, and any other media employees will actually use and see, in order to inculcate the vision, mission and values into the corporate culture.**

**FAS should amend performance standards and appraisals to include the rating official's assessment of employees' demonstrated adherence to the vision, mission and values. The mission and values should guide hiring decisions: no applicants should be accepted who do not embrace them.**

It is worth reviewing the values of the infocentric organizations as they relate to truth in information management and conduct of business. Bunge lists integrity as its first corporate value, and is forced by the marketplace to seek unbiased information sources. The CIA stands for “objectivity in the substance of intelligence” and in part intends to do this through “Personal and organizational integrity.” U.S. News & World Report ascribes to the values of the Society for Professional Journalists, to “seek truth and report it.” The SPJ Code of Ethics stipulates, “Journalists should be honest, fair and courageous in gathering, reporting and interpreting information.”<sup>141</sup>



Since FAS is no longer the sole source of current market intelligence on foreign agricultural markets, its value added in this regard is due to its reputation for accuracy and lack of bias in its estimates and forecasts. As an organization which relies on its credibility and good reputation to win acceptance of its estimates and forecasts, program and funding decisions, and negotiating positions, FAS would do well to adopt a similar professional code of conduct, and then to live by it. This means, among other things, that violations of the code of conduct should result in imposition of sanctions.

### *Planning*

Three of the six take planning seriously. The two Government agencies and the *laissez faire* U.S. News & World Report (with its corporate leadership of one) do not. The three who do, openly espouse decentralization in decision-making as a corporate goal, and consider planning as necessary to support decentralization. Bunge sees proper planning as key to capturing profits, and the NGOs view planning as critical to responsible use of scarce program funding. Catholic Relief Services devoted considerable sums of money and amounts of time to train its staff in proper planning, and inculcated in them the need for it. Obviously, this is an area in which FAS can learn from the NGO community and the corporate world. Decentralized execution of programs and of the leadership's intent results in faster response to changing conditions, a crucial point in a global environment of accelerating change.

**Planning and decentralization go hand in hand. FAS has made a good start with adoption of an agency-level strategic plan for 2001-2005 and development of a draft global market strategy. The FAS leadership needs to keep that momentum going by moving forward with the agency strategy and then requiring tactical plans of all domestic divisions and field offices for implementation of the strategy.**

**The agency leadership should then consciously delegate to lower levels all decisions which can plausibly be delegated within the framework of the division tactical plans, so the leadership can focus on overall strategy. Planning will be taken seriously at the mid-level only if it is linked to budgets and performance evaluations. Thus, both budget requests and managers' performance appraisals should be linked to the tactical plans.**

**Following the Catholic Relief Services model, training in planning and plan execution will be needed, as well as a lot of handholding, but the result will be a marked increase in workforce productivity and responsiveness to change.**

### *Communication*

The private firms and NGOs put great emphasis on fostering informal and especially horizontal lines of communication. Technology facilitates this to some degree, but it is more a function of corporate attitudes than of hardware, software and bandwidth. The stovepipes in FAS are real, and will only be broken down through a combination of personal interaction across division and programmatic boundaries and creation of formal task groups. It works in four of the six organizations studied, and it could work for us. FAS also must do something about the lack of constructive, instructive, or positive feedback to the working level of the organization on how information products intended for the leadership can be improved.

**FAS leadership should encourage the creation of task forces, both informal and formal, and encourage use of Lotus Notes team rooms for document sharing and communication. Communities of practice, a fundamental knowledge management concept, must be fostered. FAS leadership should also expose mid-level managers to senior Departmental officials as much as possible (i.e., include them in meetings) to maximize feedback on information products.**

Catholic Relief Services and ACDI/VOCA use their regular global and regional staff conferences to reinforce the organizations' values, ethics, and mission, aside from conveying more technical information. These are important communications channels.



**The excellent 2002 global attaché conference should be used as a model for future such conferences, focusing on a topical theme, but with the addition of ongoing modules on the agency's vision, mission, values, and code of professional conduct.**

FAS uses little in the way of symbolic communication internally, and almost consciously suppresses memories of past accomplishments which brought credit to the organization. The CIA has its artwork, USFCS and Catholic Relief Services display artifacts from their overseas work in their hallways and offices, USN&WR displays memorable covers from past issues of the magazine, and FAS...forgets its past, though it replicates past and sometimes anachronistic habits unconsciously, not knowing exactly why.<sup>142</sup> Ceremonies are downplayed. Whereas the Secretary of Commerce swears in new foreign commercial service officers, new FAS officers receive (belatedly) a letter from the Farm Service Agency personnel director. In USFCS, the Commissioning and Tenuring Boards and Selection Boards are briefed by the director-general, a Presidential appointee, confirmed by the Senate, as to the importance of their work and what is expected of them. In FAS, the boards are briefed by a relatively junior personnel specialist of the Farm Service Agency. We put insufficient effort into symbolism, and in that way subliminally communicate to employees that we are not as important, and our work is not as valuable, as the people or the work of other organizations which use symbolism in communication.

**The FAS leadership should acknowledge the powerful role of symbolism in leading an organization, and that leadership is not as much about the leaders as it is about the followers. Accomplishments in all corners of the agency should be publicly celebrated in posters, messages, and announcements; promotions throughout the agency should be congratulated formally, immediately, by the top leadership. If newly commissioned officers are not in Washington, they should be congratulated by a personal telegram from the Administrator if not the Secretary, and FAS should ask the ambassador at post to perform a commissioning ceremony. The administrator should brief selection boards, commissioning and tenuring boards, and preside over as many of such agency ceremonies as she can, as should her associate and deputy administrators. The 50<sup>th</sup> anniversary of FAS's renewal is a golden opportunity both to reflect on past glories and to energize FAS's employees for the challenges of the 21<sup>st</sup> century.**

Finally, Bunge, CIA, USFCS, and USN&WR foster intelligence gathering from all corners of their respective organizations, then cull the trivial from the valuable. At no time is an information source turned off. FAS could learn from this.

**FAS analysts and managers of analysts should be taught that no information is useless, and that all information from any source will be welcomed for evaluation.**

#### ***Staffing (Hiring Practices)***

All six organizations pay close attention to hiring practices. USFCS is overhauling its intake procedures out of dissatisfaction with the quality of candidates it was interviewing and hiring, taking decisions away from personnelists with no interest in the outcome and outsourcing to another service provider (which it will pay.) Bunge has hired people who fit with corporate values for the last 185 years. The NGOs and for-profit firms hold applicants to high standards and jettison those who don't fit in. USN&WR is able to hire and retain excellent journalists in spite of its lower-than-average pay rates because of the corporate atmosphere it fosters and its reputation for excellence. The common themes were to hire for talent and integrity.

FAS's relative inattention to hiring practices needs to be redressed. It should not take six months to fill vacancies, and those hired should demonstrate true talent and integrity, not merely meet the bare minimum requirements of dreary position descriptions.





**FAS should evaluate which of its hiring officials are making good hiring decisions, which are making poor decisions, and continue to grant hiring authority only to those with a positive track record.**

**FAS should develop guidelines for hiring which include an assessment (including checking of references) of applicants' character, fit with agency values, writing skills, computer fluency, and overall cognitive skills as well as the usual check of technical skills. A values-based, infocentric agency cannot afford new hires of poor character who don't fit in, can't write, aren't sharp, don't know how to use computers, or aren't technically proficient.**

**FAS should also investigate why filling vacancies takes six months and seek to reduce that time frame to no more than two months, whether it is due to hiring officials not being sufficiently motivated to file paperwork promptly or delays in processing elsewhere. If FSA is unable to dedicate the necessary resources to human resource management, FAS management should determine how an appropriate level of resources can be made available, either by outsourcing human resource management elsewhere or by impressing on the Departmental leadership the need for human resource management to be returned to the agency's control.**

**FAS should also examine closely intake procedures for both the civil and foreign service as USFCS has done to ensure that the human resources specialists are delivering the types of candidates we need.**

It is particularly noteworthy that two of the organizations, CIA and Catholic Relief Services, upgraded the status of their human resource directors to the level of corporate leadership. These organizations are putting their money where their mouths are: the slogan, "Our people are our most important resource," is not merely a set of empty words to them.

**The FSA human resources director should attend senior staff meetings not just when personnel issues are on the agenda, but routinely, so he is part of the corporate governance process and not an afterthought.**

FAS must confront the question of professionalism, which was much in evidence at ACDI/VOCA, Bunge, Catholic Relief Services, CIA, and U.S. News & World Report. For the past several years Bunge has insisted on MBAs for its marketing specialists. The private sector clearly views marketing as a profession, not a "job series" which needs no professional qualifications. All of these organizations also require high competence in information management and office automation.

The conflict of corporate subcultures described in the FAS narrative has clear ramifications for the agency's overall attitude toward professionalism. Failure to embrace professional standards as part of an organization's culture can lead (and in FAS's case, has led) to relaxed standards for both hiring and appraisal of job performance. Though today's Information Age workload demands cognitive skills normally associated with college degree holders, FAS adheres to a non-professional job series for its marketing staff which requires no formal education beyond 12<sup>th</sup> grade, even though the majority of market specialists hired today have one or more college degrees.

It should be noted as well that FAS's economists are extremely insular, to the point that they rarely attend professional agricultural economic conferences or join the national professional association for agricultural economists, the American Agricultural Economics Association.<sup>143</sup> It is no coincidence that the two under secretaries in recent memory who have been most critical of FAS analytical products were both Ph.D. economists and members in good standing of the association. The author hastens to clarify that this does not mean FAS should hire exclusively Ph.D. economists, or that FAS should require its economists to begin submitting scholarly papers for review and publication. FAS should, however, encourage its professionals



of all stripes to broaden their professional contacts to stay current, fresh, and abreast of current thinking in their respective fields.

**We no longer work in a 1950's environment, but our personnel policies are geared to that time period. A bachelor's degree is now evidence of only threshold competency in the Information Age. FAS should be hiring professionals for its professional work, and that includes marketing, work for which the private sector hires individuals with post-graduate degrees.**

**If hiring for diversity is still an issue due to imbalances in the pool of eligible applicants, FAS should follow the example of the U.S. military and offer college scholarships to non-professional job series employees in underrepresented groups who have exemplary work records, demonstrated talent, and academic potential in return for an eight-year work commitment (the Navy "mustang" program can serve as a model.) FAS should use its cooperative student program more aggressively to recruit qualified minorities.**

**In general, FAS should recruit aggressively in order to attract the types of employees the agency needs.**

**FAS should require not merely basic computer literacy of all its hires, but demonstrated fluency in use of computer-based applications, and should reward employees demonstrating improvement in computer fluency.**

**FAS should encourage attendance of conferences on international agricultural economics, marketing, development, and assistance. Aside from conference attendance being a sound practice for promoting professional growth, it has been Departmental policy since 1958.<sup>144</sup>**

#### ***Corporate Governance***

All six organizations had two things in common that set them apart from FAS. First, all six have an executive management committee which oversees all big-picture leadership and management issues. It meets regularly to discuss the progress of plan implementation (in the case of U.S. News & World Report, a short-range plan, but in the others, the longer-range plans.) It meets periodically to decide on topical issues (e.g., personnel succession planning, the budget).

**FAS should dispense with the Executive Advisory Group and the IRM Review Board, and replace both with a single executive management board consisting of the administrator, associate and deputy administrators, human resources director, budget director, and chief information officer. This board should convene monthly to check progress in implementing the agency strategic plan, and as needed to review the budget, approve information management plans, plan succession of senior executives, and rotate personnel. The assistant deputy administrators should be back-benchers in these meetings to ensure continuity in decision-making due to the heavy travel schedules of the FAS leadership.**

Second, five of the six free up the chief executive as much as possible from day-to-day operations to focus on strategic issues. Catholic Relief Services and the CIA have done this by appointing a senior executive as the chief of staff; ACDI/VOCA has an executive vice president; U.S. News & World Report has an executive editor. Bunge delegates corporate decisions to trusted individuals at the company level. USFCS has a career officer as the deputy director general, who serves as acting director general between Administrations.

**The administrator should designate either the general sales manager or the associate administrator the chief operations officer of the agency, responsible for day-to-day operations, so she can focus on strategic issues. The political leadership should seriously consider designating one or the other**



**position a career, non-political position to ensure continuity in executive leadership and implementation of management reform during the inevitable interregnums between Administrations.<sup>145</sup>**

### ***Technology***

These organizations are all technology dependent, as one would expect any 21<sup>st</sup> century organization to be. U.S. News & World Report has a knowledge management system that is worth examining closely, and USFCS has a management information system based on Lotus Notes for managing its overseas posts. All the organizations view information technology investment as a cost of doing business and use it to get the most out of their workforces.

**FAS should send experts to look at both the U.S. News & World Report knowledge management office and the USFCS management information system. FAS senior leadership must take the information technology budget process seriously, for without adequate planning and fiscal resources, needed technologies won't be there when they are needed.**

### ***Overseas Posts***

The line between expatriate and local hire is blurring in the private sector. The CEO of Bunge, headquartered in suburban New York, is a German-speaking Brazilian. Catholic Relief Services transferred an Indian employee to Indonesia, where the employee received an expatriate salary. U.S. News & World Report has no expatriates working for it overseas at all. These are hallmarks of a globalized economy, and while it is unlikely the U.S. Government will ever permit non-citizens to represent the government in the way foreign nationals represent private firms abroad, it points to a potentially expanded role for foreign national employees in the Foreign Agricultural Service.<sup>146</sup>

**FAS should review the list of tasks normally associated with foreign national employees and look for opportunities to shift routine work from expensive expatriate officers to the normally less costly local hires.**

### ***Corporate Culture***

The degree to which corporate culture does or does not motivate employees, get them working cooperatively, and lift productivity should not be underestimated. All six of the organizations studied recruit for good fit with the accepted corporate culture. Though intangible (recall Daft's comment that corporate culture is not written down), the corporate culture sets a tone for the organization which demonstrably outlives organizational charts or staff members, and sometimes even an organization itself. Witness the survival of the OFAR culture in FAS! This portion of the study was simultaneously the most interesting and the most troubling.

**Reconciliation of the four divergent subcultures of FAS is the single most beneficial activity in which the FAS leadership could engage. It will require a considerable amount of time and effort, and would most wisely include the good offices of a professional facilitator to mediate discussions of a cross-agency task force. If done, it will re-energize the Foreign Agricultural Service and put us for the first time in 50 years on a common, mutually agreed-to course.**

The six organizations studied are deeply customer-oriented, and focus on activities which satisfy a core clientele. This is key both to longevity and long-term success, and is second in importance only to reconciliation of the four divergent subcultures.

**FAS needs to become a customer-service oriented organization, not a product-oriented organization. Further, if FAS contemplates a reorganization, or any sort of realignment of functions, it must do so with service to its customer base in mind, not its own internal divisions.**





## *Singular best practices*

### *Flattening the hierarchy*

ACDI/VOCA, U.S. News & World Report, and USFCS use e-mail to flatten the hierarchy, allowing anyone in the organization to contact anyone in the leadership; ACDI/VOCA takes it to an extreme (USFCS, being a bureaucracy, has assigned the task to its customer relations unit.) This allows the leadership to know what's going on, and lets the rank and file know that somebody in management is listening. This works, however, because priorities, policies and plans are already well known within these organizations, and though information flows freely, decision-making is bucked back down to as low a level as possible.

**FAS should continue to foster free communication by e-mail, but senior managers and leaders must learn to buck decisions to lower levels, even though they have had matters brought to their attention. If this effort does not work, it may be worthwhile to borrow USFCS's example of a customer service unit which serves both internal and external customers.**

### *Decentralized corporate management*

Bunge's model of fewer than 50 corporate staff leading a conglomerate of 24,000 is amazing. Bunge's CEO does it by pushing corporate responsibilities down to the company level, after first ensuring that the entire organization knows what the plan is, what the direction is, and what the intent is. This model makes a huge organization nimble and responsive. Catholic Relief Services' decentralization model is also worth closer study, though it is a more traditional hierarchy.

**FAS should seek to follow the Catholic Relief Service practice of pushing decisions as low as possible. Where regulations must be amended, they should be. Where it is merely a matter of past practice or policy, the administrator, appropriate associate or deputy administrator, or division director should issue a written policy declaration empowering lower-level managers to make decisions, down to the level of non-supervisory staff.**

**This will only work, of course, if first FAS embraces a common set of values, then has a strategic decision-making framework (i.e., a strategic plan) in place that is widely accepted and implemented through division- and post-level tactical plans.**

### *Strategic planning*

Catholic Relief Services makes a fine art of strategic planning, and has devoted the resources to making it work for the organization. Their model both of planning and of introducing a new planning method to the organization—and having it accepted—is an example of well executed change management.

**Please see my recommendation on page 59.**

### *Symbolism, ritual, tradition*

The CIA's rich traditions, captured in symbols and rituals, unify the agency in spite of its stovepiping problems and keep the organization pointed in one, common direction. The CIA's traditions are deliberately fostered and result in noticeable *esprit de corps* in the agency. FAS employees should take pride in a tradition reaching back to Thomas Jefferson, and perhaps would, if they knew about it.

**Use of symbolism, ritual and tradition to reinforce agency cohesiveness should be part of senior managers' evaluations, as it is a leadership trait. Deputy administrators could start by swearing in new civil service hires in accordance with Federal law, rather than leaving that task to a low-graded personnel specialist.**



### ***Hiring policies***

USFCS's decision to seize control of hiring from complacent human resource specialists was undoubtedly a bold move within the bureaucratic context, but is very much in line with the practices of the private-sector subjects of this study. U.S. News & World Report's focus on high-performing team players is a hiring model well worth emulating. Catholic Relief Service requires computer literacy of all new hires. This is hardly too much to ask for now that we are 33 years into the Information Age and 22 years into the personal computing revolution.

**Please see my recommendations on page 61.**

### ***Technology***

The CIA has elevated its chief information officer to the corporate leadership level, acknowledging the importance of that post in an infocentric organization. This mirrors, incidentally, the practice in USDA, where the chief information officer is a senior executive who reports to the Secretary.

**As an infocentric agency, particularly one facing some serious information technology challenges, FAS needs its own chief information officer, and that person should be part of the executive management board.**

### ***Knowledge management***

The ability of U.S. News & World Report to convert a staid library into a dynamic, proactive online resource center speaks volumes about the organization's willingness to embrace high technology and to grasp the opportunities a dawning Information Age has to offer. The concept of leveraging information management to turn high-cost analysts and writers into "virtual experts", made possible through just-in-time provision of categorized and pre-sorted information, is intriguing and bears further exploration. The dedication of seven percent of a small infocentric firm's permanent staff to the knowledge management office speaks volumes for its importance.

In effect *U.S. News & World Report* is a weekly briefing book tailored to the organization's clientele. The knowledge management unit leverages information collected by the organization's reporters and stringers, making their end product more comprehensive and giving it more depth, context, and richness. As noted in the narrative, fully seven percent of the USN&WR staff works in the knowledge management office. The equivalent figure for FAS headquarters would be 49 staff years. There is a valuable lesson here for a similar organization with reporting officers (attachés) which regularly prepares briefing materials for top-level Federal policy makers.

**FAS must commit to knowledge management. Development of a data sharing mentality is crucial, and requires conscious support from the top levels of the agency. The FAS leadership should also examine closely what kind of human resources should be dedicated within the program units to knowledge management that would increase productivity of other units sufficiently to more than compensate for the personnel shifts.**

### ***Bringing about change***

As noted in the preface, FAS finds itself in stage two of a model of corporate decline. We may continue sliding down that slope to dissolution, or we may begin to take positive action. Pursuing the latter course will require change in several areas, which the author has sought to outline above.

As an information agency with a highly competent workforce, FAS can rise to the challenges of the Information Age. It will take leadership, trust in the abundant abilities of the agency's skilled knowledge workers, and hard decisions, followed by action. Judging by our ability to rise to the occasion in the past, we can certainly do that.



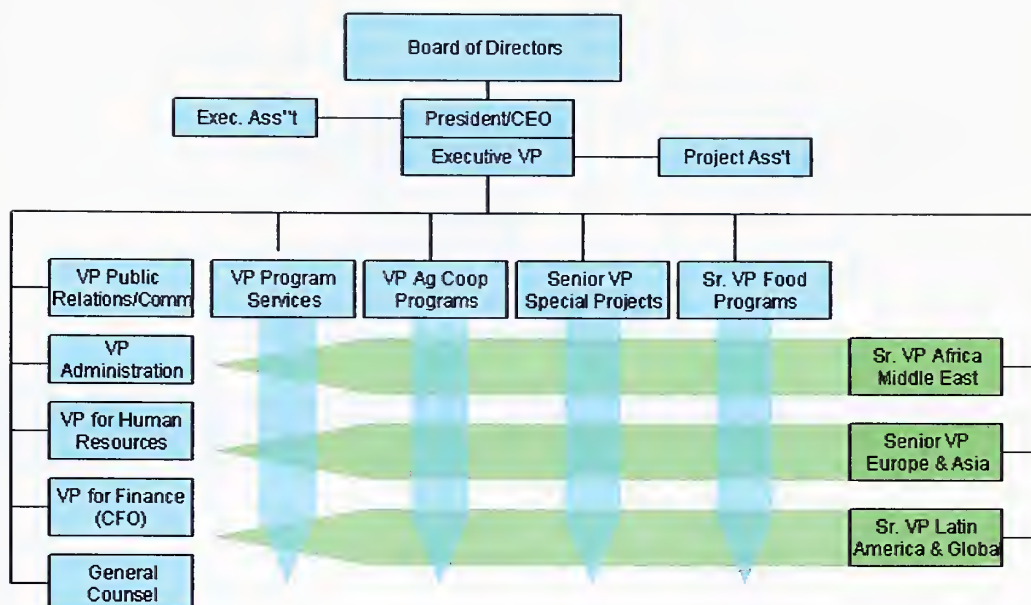


Figure 1. ACDI/VOCA in 2003  
Source: ACDI/VOCA

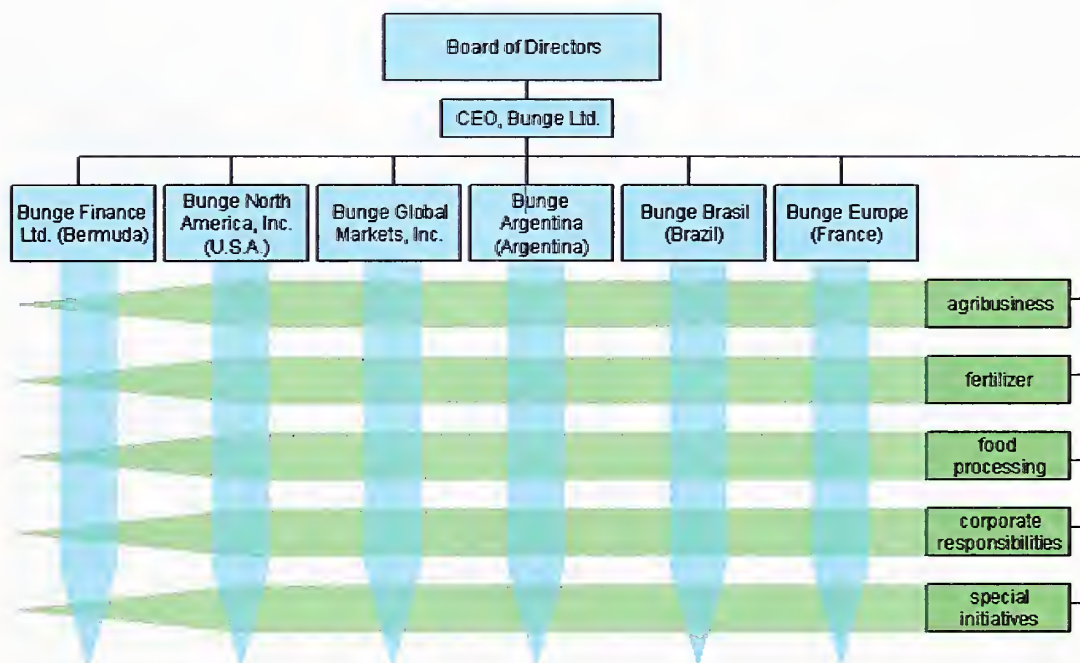
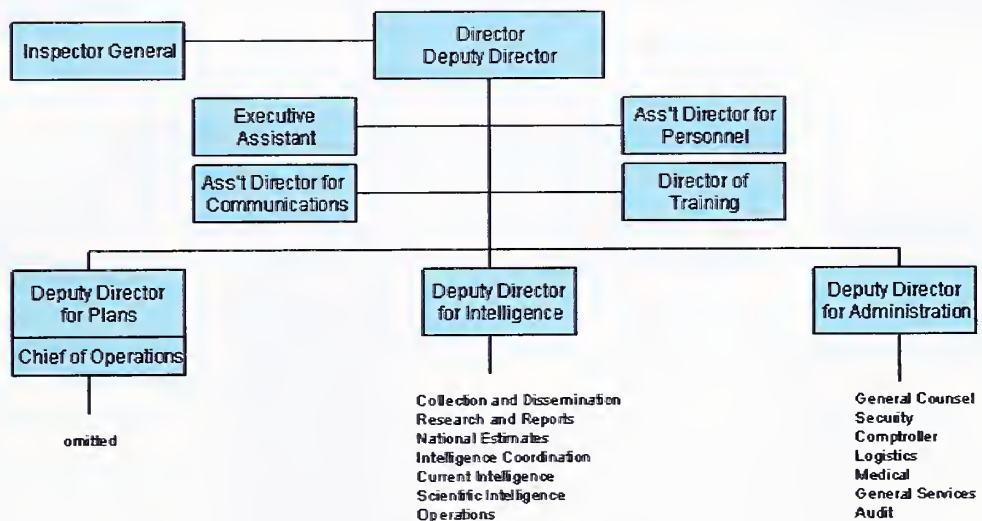
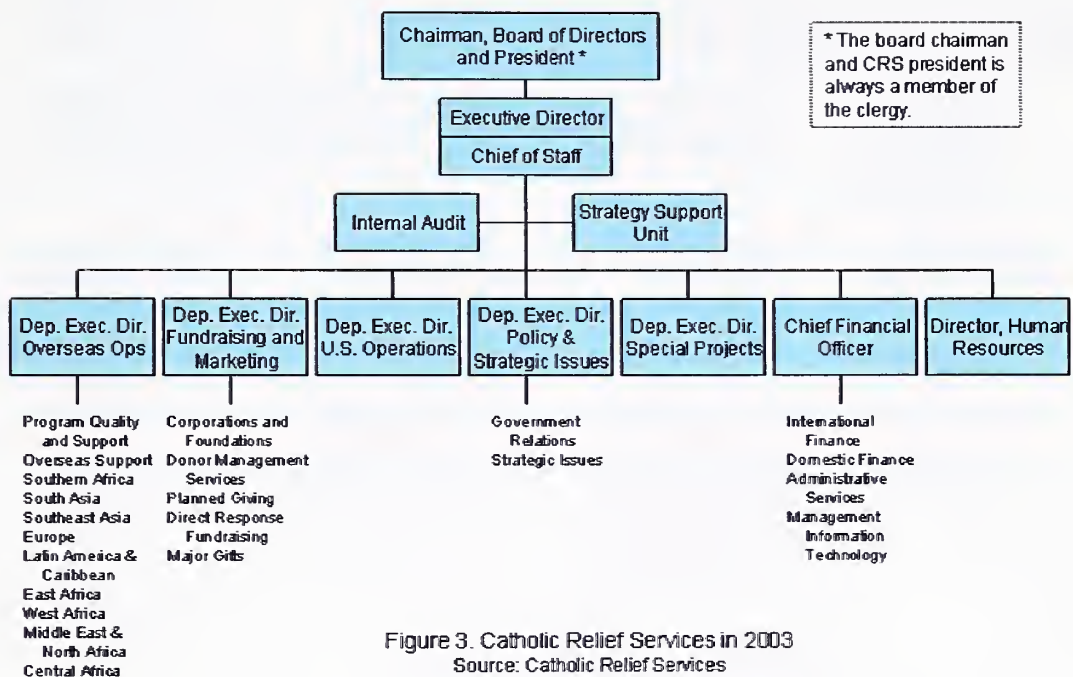


Figure 2. Bunge in 2003  
Source: Bunge Prospectus, March 12, 2002, and staff interviews at Bunge, Ltd.









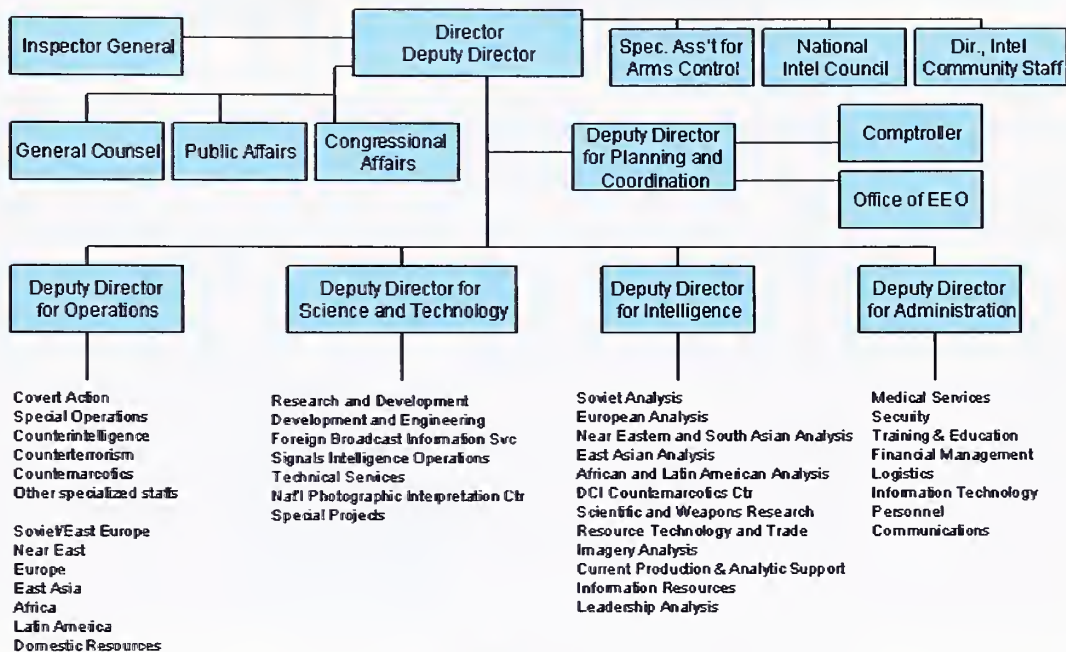


Figure 5. Central Intelligence Agency in 1991  
Source: Kessler, *Inside the CIA*, pp. xxxii-xxxiii

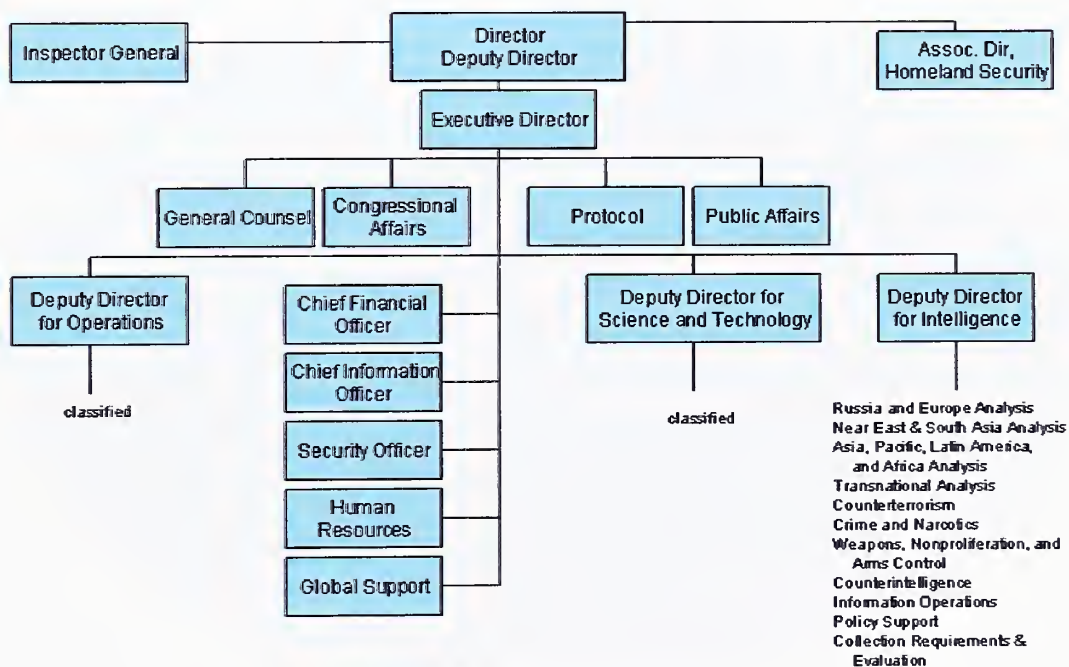


Figure 6. Central Intelligence Agency in 2003  
Source: CIA web site, [www.cia.gov](http://www.cia.gov)



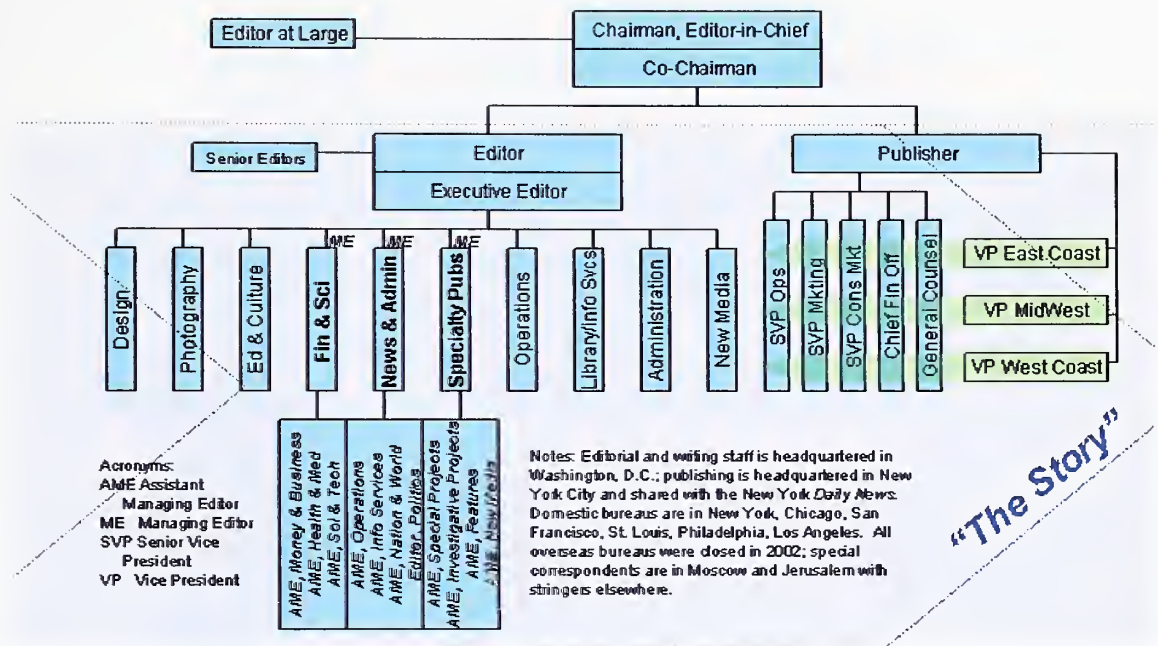


Figure 7. U.S. News & World Report in 2003 (formal chain)  
Source: U.S. News & World Report staff interviews

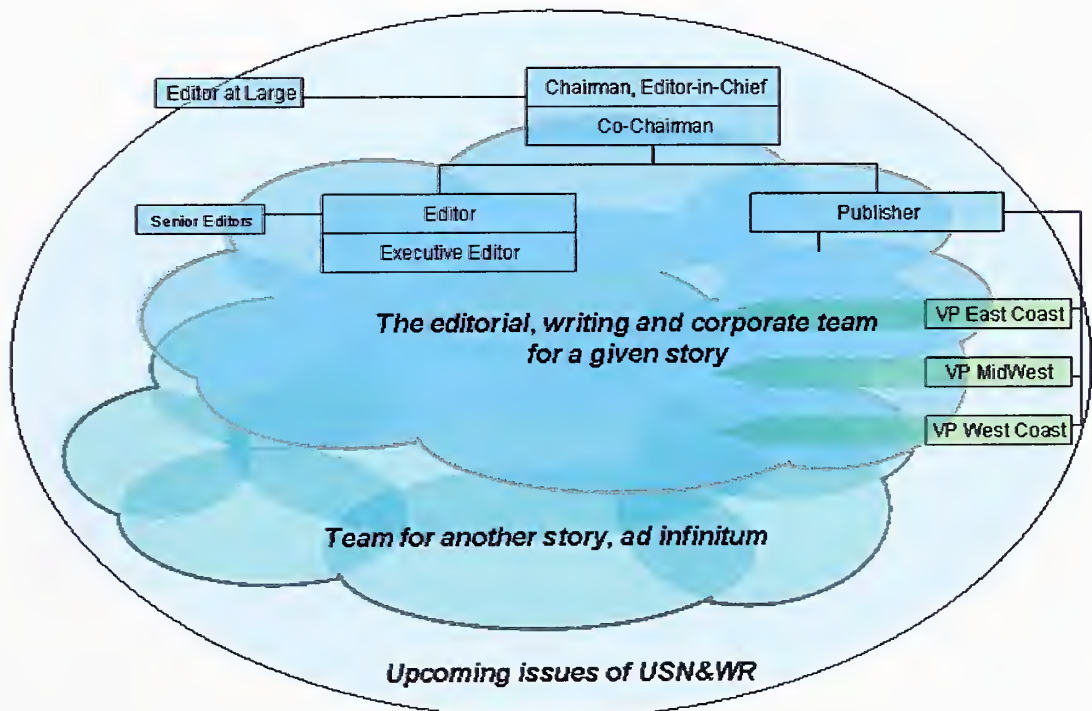


Figure 8. U.S. News & World Report in 2003 (boundaryless story teams)  
Source: U.S. News & World Report staff interviews





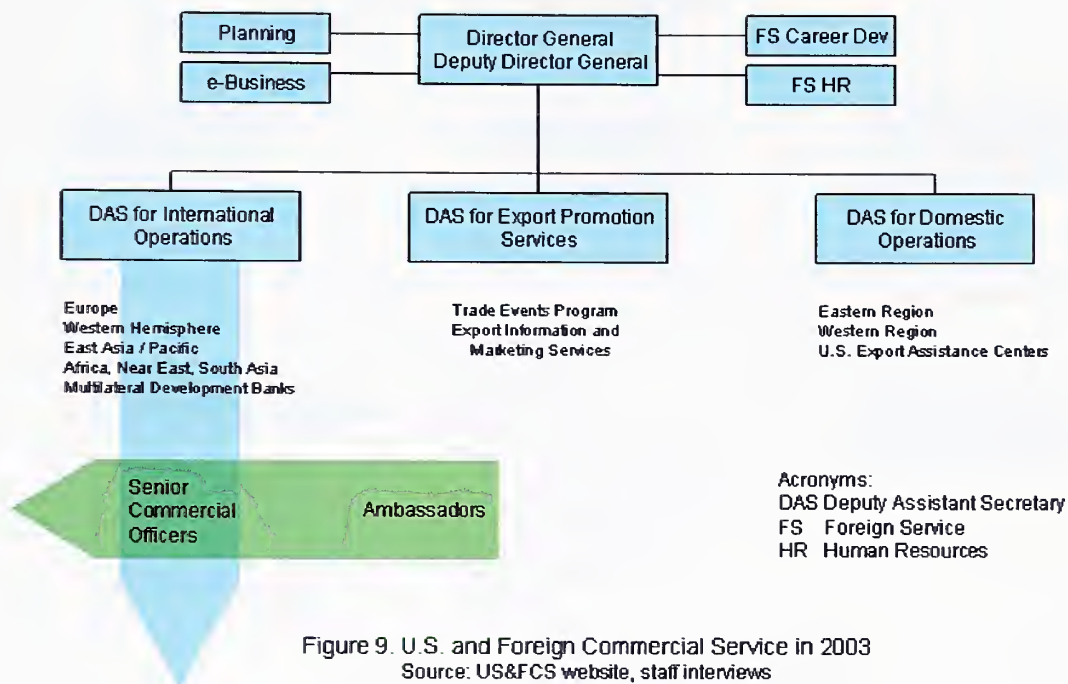


Figure 9. U.S. and Foreign Commercial Service in 2003  
Source: US&FCS website, staff interviews

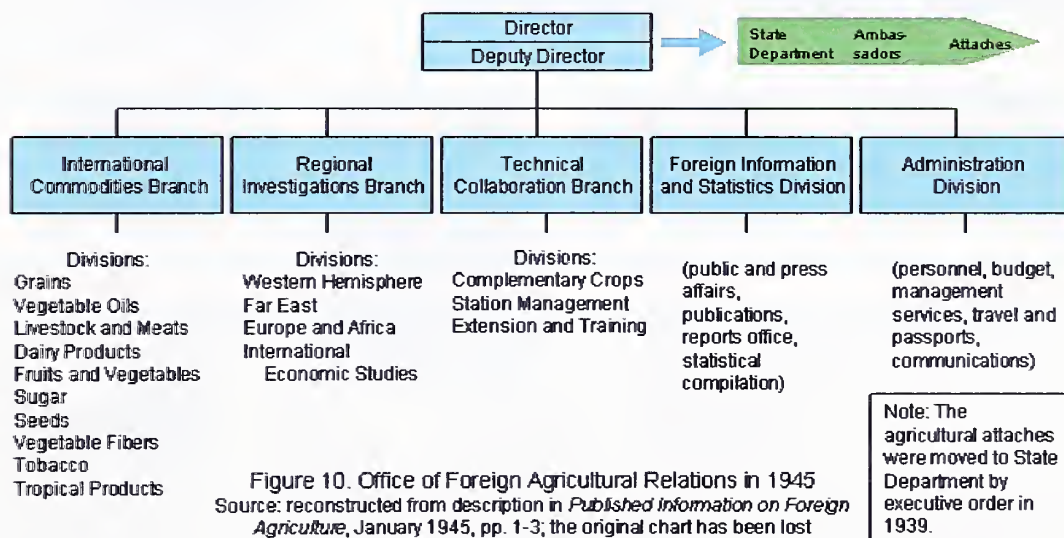


Figure 10. Office of Foreign Agricultural Relations in 1945  
Source: reconstructed from description in *Published Information on Foreign Agriculture*, January 1945, pp. 1-3; the original chart has been lost



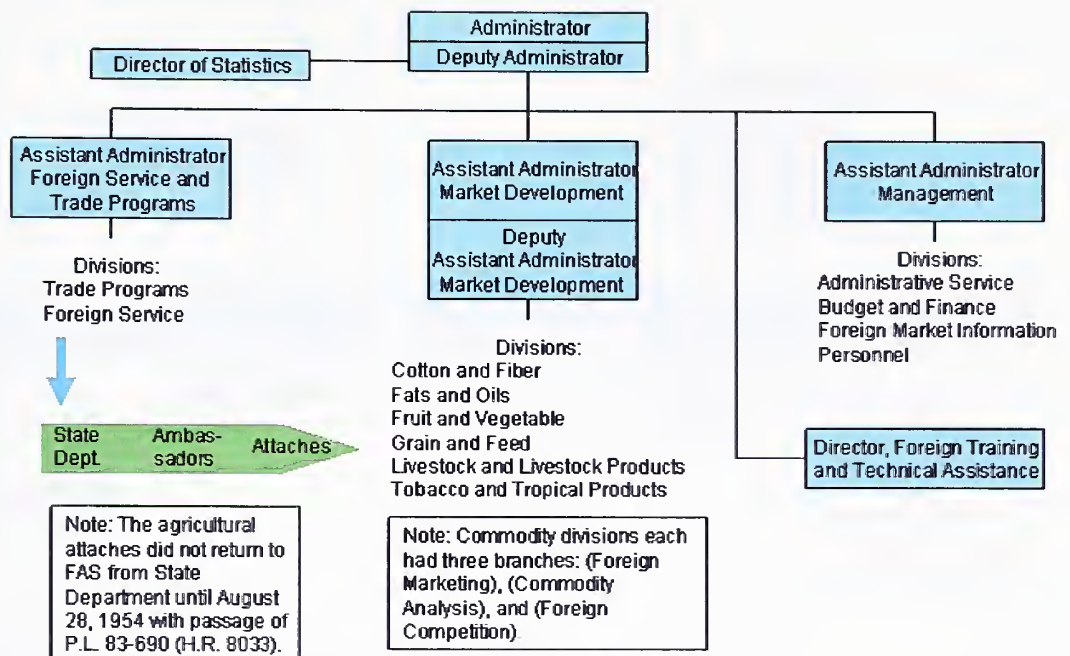


Figure 11. Foreign Agricultural Service in 1953  
Source: reconstructed from Administrative Assignments list of November 19, 1953; the original chart has been lost

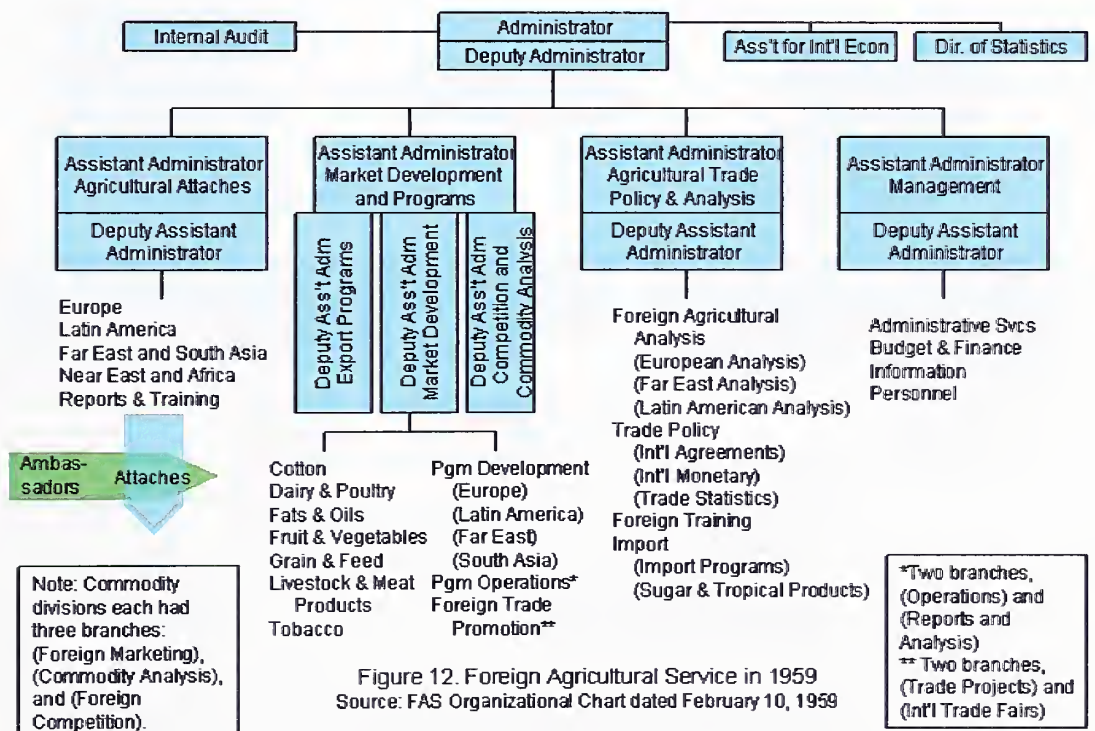


Figure 12. Foreign Agricultural Service in 1959  
Source: FAS Organizational Chart dated February 10, 1959



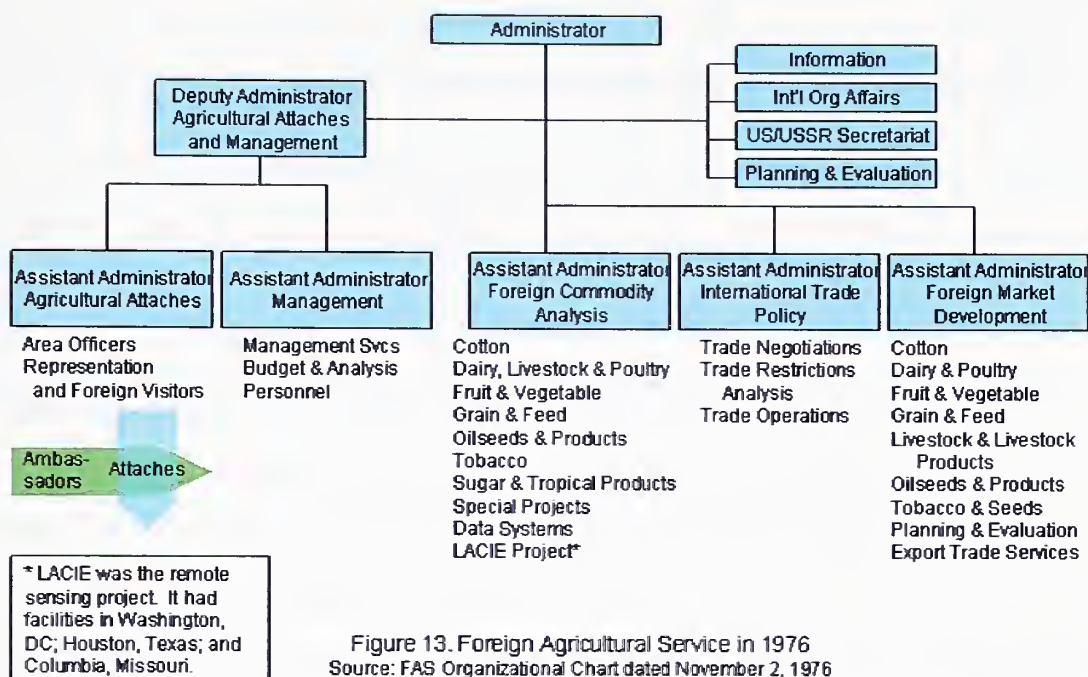


Figure 13. Foreign Agricultural Service in 1976  
Source: FAS Organizational Chart dated November 2, 1976

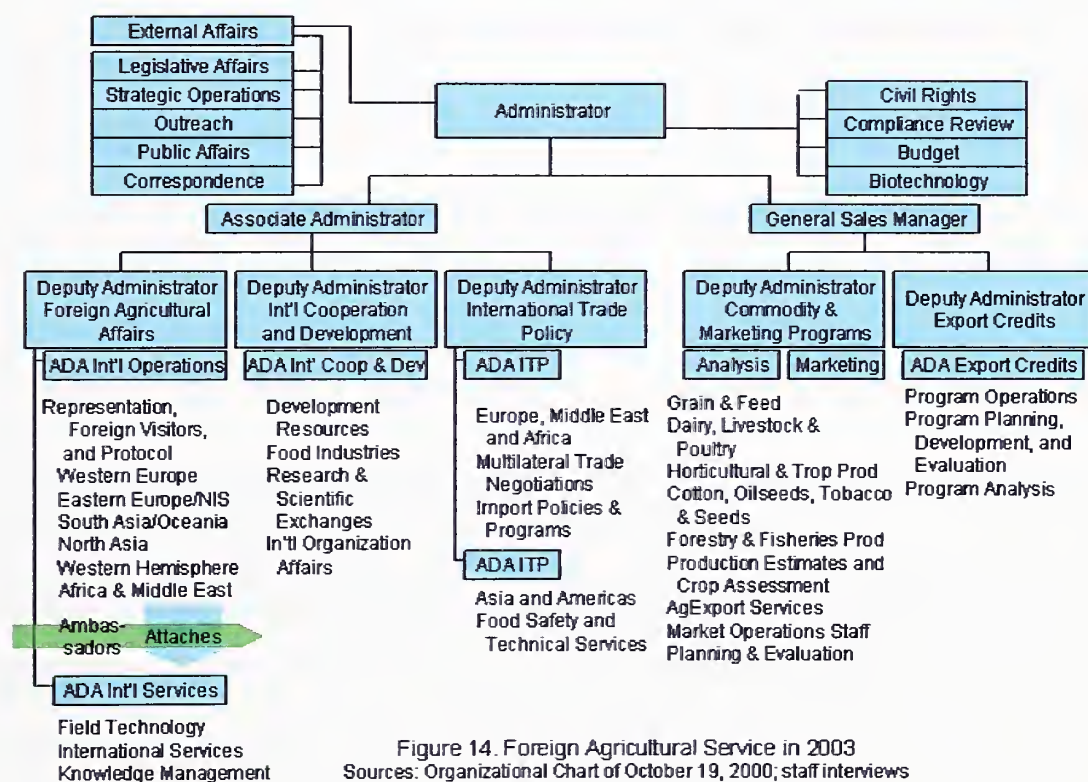


Figure 14. Foreign Agricultural Service in 2003  
Sources: Organizational Chart of October 19, 2000; staff interviews





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## Notes

<sup>1</sup> Ackoff (1999), p. 4, citing Arie de Geus, *The Living Company*, Harvard Business Review 75 (March-April 1997): pp. 70-74

<sup>2</sup> Daft (2001), p. 179

<sup>3</sup> Nadler, Gerstein, Shaw, et al (1992)

<sup>4</sup> Friedman (1999)

<sup>5</sup> Navy (2002), p. 41. The Navy report notes that briefing papers, FAS's means of keeping the top leadership of USDA informed of policy priorities and of tracking policy development, are viewed internally as a "collateral duty", and are not even recognized as a core function. The briefing paper regime also "reinforces a reactive decision-making process."

<sup>6</sup> General Accounting Office (1993a, 1993b) and USDA (1989)

<sup>7</sup> General Accounting Office (1975)

<sup>8</sup> USDA (1998)

<sup>9</sup> William Weitzel and Ellen Jonsson, "Reversing the Downward Spiral: Lessons from W.T. Grant and Sears Roebuck," *Academy of Management Executive* 5 (1991): 7-21; William Weitzel and Ellen Jonsson, "Decline in Organizations: A Literature Integration and Extension," *Administrative Science Quarterly* 34 (1989): 91-109, cited in Daft (2001), p. 514

<sup>10</sup> Gerwin (1981), p. 4

<sup>11</sup> U.S. Navy (2002)

<sup>12</sup> Ackoff (1999), p. 123

<sup>13</sup> *ibid.*

<sup>14</sup> U.S. Navy (2002). The Foreign Agricultural Service "information cube" comprises three dimensions: commodity, issue and country. The intersection of these three dimensions yields a task or set of tasks (e.g., resolution of the Russian poultry ban or the Zambia corn shortfall.) To that may be added a fourth dimension, the programs used to execute these tasks.

<sup>15</sup> Daft (2001), p. 293

<sup>16</sup> *Ibid.*

<sup>17</sup> Ackoff (1999), p. 46

<sup>18</sup> Daft (2001), p. 108

<sup>19</sup> McNamara (1999)

<sup>20</sup> Tsang (2000)

<sup>21</sup> See the Microsoft vision, mission and values statements, for example, at <http://www.microsoft.com/mscorp/>

<sup>22</sup> Daft (2001), p. 298

<sup>23</sup> *op. cit.*, pp. 18-19

<sup>24</sup> *Ibid.*

<sup>25</sup> Daft (2001), pp. 319-321

<sup>26</sup> Transformation of this "sort-and-select" system to a new public education model designed to educate the entire populace to minimum literacy and knowledge standards is behind standards of learning, school reform, and the "leave no child behind" initiatives of the current Administration. This movement began in 1983 with publication of Nation at Risk: The Imperative for Educational Reform and is expected to be completed in another twenty years.

<sup>27</sup> Ackoff (1999), p. 180

<sup>28</sup> The Director of the CIA University's Leadership Academy shared the following anecdote, provided by a subordinate manager, with the author on February 5, 2003.

"The individual's goal within the existing system is the grade you hold upon retirement. Everyone swims upstream, like salmon, and the easiest route up is the management career path. The salmon who arrive upstream alive to become division or office managers are Brahman-Salmon who flit around the headquarters pool not quite knowing what to do since their ascent was not accompanied by well thought out training or meaningful guidelines—it was solely instinctual."



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“Most ‘Brahman-Salmon’ perform quite well in senior management, but every employee has stories of some of the ‘corkers’ who have survived the trip up stream. They usually have a dominant personality, fixed views and a distrust of the workforce. They have a self-confidence bordering on infallibility, and don’t care for awkward questions from below or dissenting views. They are often remote and unpredictable, operate on ‘transmit’ only, often delivering instructions in the form of unfocused monologues, and lack the self-assurance to engage in discussions on matters they do not fully understand. Despite their talk of the ‘mission’, their exclusive goal is obtaining and holding power. In a nutshell, they are everything a leader is not...”

“(Any resemblance of the above Brahman-Salmon description to Agency managers living or dead is entirely coincidental and unintended. It was a description lifted from Ian Kershaw’s latest biography on Adolph Hitler.)”

<sup>29</sup> Tsang (2000), p. 98

<sup>30</sup> Ackoff (1999), p. 50

<sup>31</sup> Op. cit., pp. 179-181

<sup>32</sup> For a fuller discussion of “soft” and “hard” power, see Nye (2002).

<sup>33</sup> Cited in Smith (1998), p. 3

<sup>34</sup> Daft (2001), pp. 27-29

<sup>35</sup> Tulgan (2001), p. 24

<sup>36</sup> Anonymous feedback statement to the Director, Leadership Academy, CIA University, Central Intelligence Agency, shared during an interview with the author February 5, 2003.

<sup>37</sup> Agricultural cooperatives are authorized by U.S. law, specifically, the Capper-Volstead Act of 1922, which also exempts farmers from anti-trust legislation and permits collective marketing and collective bargaining. U.S. cooperative legislation is largely based on the model of German agricultural cooperative legislation of the 1800’s. It exempts cooperatives from corporate income taxes, among other things, since profits are “redistributed to members”, not “paid out to shareholders.”

<sup>38</sup> West (2002), p. 14

<sup>39</sup> Cargill, Continental Grain (since bought out by Cargill), Bunge, Louis Dreyfus, and Andre & Cie were the traditional big five grain traders, well documented in Dan Morgan’s landmark work, Merchants of Grain. Alfred Toepfer to some degree made it a club of six, and until bankruptcy, Cook Industries was also a player. In the 1990’s, ADM emerged as a major commodity trader, and Cargill bought out Continental (“Conti”). In 2001 Andre sold its Asian operations, dramatically reducing its influence. Today the major grain traders are known as “ABCD”, for ADM, Bunge, Cargill and Dreyfus.

<sup>40</sup> West (2002), p. 14

<sup>41</sup> op. cit., p. 11

<sup>42</sup> Daft (2001), p. 498

<sup>43</sup> Daft (2001), p. 320

<sup>44</sup> 50 U.S. Code, Sec. 403-3

<sup>45</sup> Among other things, four directors of central intelligence served in the OSS: Allen Dulles, Richard Helms, William Colby and William Casey.

<sup>46</sup> Kessler (1992), p. 26

<sup>47</sup> op. cit., p. 3

<sup>48</sup> op. cit., p. xxxiii

<sup>49</sup> In Brown (1982), pp. 60-61, Anthony Cave Brown recounts that then-Major Donovan’s battalion received poor artillery support during the assault on Kriemhilden Fortress in September 1918. Brown assumes that Donovan being Donovan, he complained. One of the battery commanders about whom he would have complained was Captain Harry S Truman of Independence, Missouri.

<sup>50</sup> The Jedburgh teams parachuted into Nazi-occupied Europe to conduct espionage and sabotage. The duty was especially hazardous; whenever captured the Jedburghs were shot as spies since they were not in uniform and thus not covered by the Geneva Rules of War. One of the more famous Jedburghs, Major William Colby, later became director of central intelligence.

<sup>51</sup> GAO (2001), p. 7



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<sup>52</sup> NARA (2000)

<sup>53</sup> Kessler (1992), p. 26

<sup>54</sup> *ibid.*

<sup>55</sup> ICASS stands for International Cooperative Administrative Support Services, and is the mechanism by which agencies in overseas diplomatic missions share administrative overhead costs. It is the successor to the FAAS (Foreign Affairs Administrative Support) system, under which foreign affairs agencies were tied to the State Department as a monopoly service provider. For further information, see [www.icass.com](http://www.icass.com).

<sup>56</sup> Guldin (2003), p. 22

<sup>57</sup> When italicized, the name *U.S. News & World Report* refers specifically to the magazine; when not italicized, to the parent firm.

<sup>58</sup> "News you can use" is a registered trademark of U.S. News & World Report.

<sup>59</sup> The readership profile can be seen on line at the magazine's website, [www.usnews.com](http://www.usnews.com), in the media kit section. The median reader of *USN&WR* is better educated and more affluent than the median reader of competing news magazines.

<sup>60</sup> A "stringer" is a free-lance reporter who is paid by the story and otherwise has no formal affiliation with the media outlet. They are not considered employees of the firm. The media firm does not have exclusive rights to a stringer's services, neither does the stringer have an obligation to market services to the media firm. Radio stringers can be detected by inclusion of the preposition "for" in their closing identification statement. If a news item closes, "Jane Doe, for XYZ News", she is a stringer. The statement, "Jane Doe, XYZ News" means she is an employee.

<sup>61</sup> Daft (2001), p. 298. "Clan control is the use of social characteristics, such as corporate culture, shared values, commitment, traditions, and beliefs, to control behavior. Organizations that use clan control require shared values and trust among employees. Clan control is important when ambiguity and uncertainty are high... Under clan control, people are hired because they are committed to the organization's purpose..."

<sup>62</sup> This turn of phrase is not original. The author is indebted to an anonymous FAS wag for the term, "diplomats in dungarees."

<sup>63</sup> The Board of the Foreign Service is chaired by the State Department Director General of the Foreign Service, and includes in its membership the heads of the respective foreign services of the foreign affairs agencies. The Foreign Agricultural Service is represented by the deputy administrator for foreign agricultural affairs. The USDA representative on the Board of Examiners (BEX) is either that deputy administrator or his designee. The director of OFAR sat on both the Board of the Foreign Service and the Board of Examiners of the Foreign Service (General Departmental Circular No. 61, February 2, 1945, paragraph 4, "The Director of the Office shall be the representative of the Department of Agriculture on the Foreign Service Personnel Board, the Board of Foreign Service Examiners, and the Executive Committee on Economic Foreign Policy").

<sup>64</sup> Jefferson (1944), p. 67 "My duties, at Paris, were confined to a few objects; the receipt of our whale-oils, salted fish, and salted meats, on favorable terms; the admission of our rice on equal terms with that of Piedmont, Egypt and the Levant; a mitigation of the monopolies of our tobacco by the Farmers-general, and a free admission of our productions into their islands were the principal commercial objects which required attention..."

<sup>65</sup> A consular agent today is a locally hired individual, either American or host-country national, who is empowered to carry out limited consular duties. Until passage of the Rogers Act in 1924, however, consular duties were mainly commercial in nature, so presumably a consular agent in the consulate general at London could have been a locally hired person who performed some function related to commerce, such as gathering agricultural statistics.

<sup>66</sup> The National Agricultural Library at Beltsville holds what appears to be a complete collection of these reports under call number 1506 / C76. They are a treasure of historical economic and commercial information on foreign countries.

<sup>67</sup> In the letter of submittal to the Secretary, Chief Statistician J.R. Dodge wrote, "The difficulty and magnitude of this work can scarcely be exaggerated. It involves translation from many languages, reduction of weights and measures nearly as numerous as the countries represented, the collection of





consecutive annual statements for a period of ten years, the ascertaining of the average population of each country for the period, and orderly arrangement of hundreds of separate tables...All the clerical force available, in a body of sixty clerks, after the routine and other special work had been provided for, has been required and cheerfully rendered. The patience and assiduity of the clerks is entitled to especial commendation and is worthy of all praise." (U.S. Department of Agriculture. Division of Statistics. Production and Distribution of the Principal Agricultural Products of the World, Report No. 5, Miscellaneous Series, Washington: Government Printing Office, 1893, p. 5)

<sup>68</sup> National Agricultural Library call number 1 / St2B / No. 42 and No. 69, respectively.

<sup>69</sup> USDA (1960)

<sup>70</sup> Ibid. Also, the October 15, 1925 Bureau of Agricultural Economics "Branch Office Directory", which includes all field offices in the U.S. as well as overseas, lists eight commissioners and one local hire in five foreign posts: Elna C. Anderson and William A. Schoenfeld in Berlin, Edward A. Foley (chief), William I. Holt (cotton), and Orlando J. Worth (local hire) in London; Edwin Smith in Marseilles; Leon M. Estabrook and Asher Hobson as "collaborators" in Rome (probably detailed to the International Institute for Agriculture); and George C. Haas in Vienna. National Agricultural Library call number 1.9 / Ec7Bd

<sup>71</sup> Representative John Ketcham originally sponsored the bill in 1924 as the "Foreign Crop Marketing and Reporting Bill." (USDA, 1960)

<sup>72</sup> USDA (1960)

<sup>73</sup> *ibid.*

<sup>74</sup> OFAR was divided into "three Branches and two Divisions immediately attached to the Director's office." They were the International Commodities Branch, the Regional Investigations Branch, the Technical Collaboration Branch, the Division of Foreign Information and Statistics, and the Division of Administration (USDA, OFAR, "Published Information on Foreign Agriculture January 1937 to December 1944", January 1945, pp. 1-3, as of this writing still located on stack 19 of the National Agriculture Library at Beltsville.)

<sup>75</sup> USDA (1945), p. 2

<sup>76</sup> See, for example, "Food Situation in France, Italy, and Austria", dated November 28, 1947, a "for administrative use only" report detailing the dire food shortages in those countries. National Agricultural Library call number 1.943 / F733.

<sup>77</sup> Secretary's Memorandum No. 1320, Supplement 1, dated March 10, 1953. Initially OFAR's relations with State were good. Immediately after World War II, State expanded the number of attachés from seven to 74, with heavy coverage in Europe and Latin America. As time went by, however, friction developed. Although OFAR could influence attaché selection, State's hiring process was geared to the liberal arts and not agriculture. Thus from 1939 to 1954 only two new officers were hired for the career agricultural attaché service. OFAR complained that during tight budget years, State cut the agricultural attachés before cutting other programs, and also largely disregarded OFAR input when evaluating and promoting the attachés. OFAR discovered that State sometimes used the agricultural attaché service as a dumping ground for underperformers. The final blow came in June 1951, when State Department obtained authority from the White House to block requests from other departments for economic information from U.S. diplomatic missions. State began deleting USDA standing reports, and when USDA protested, the complaints were ignored. Thus the move began to bring the agricultural attachés home. President Eisenhower's new Secretary of Agriculture, Ezra Taft Benson, began by changing OFAR back to FAS on March 10, 1953. This date is considered the modern FAS's "birthday." Next, Secretary Benson's budget assistant, W. Arthur "Art" Minor, began orchestrating lunches between FAS employees and key Congressmen to make the case for transferring the agricultural attachés back to USDA. That bill, Public Law 83-690, passed almost without opposition and was signed into law August 28, 1954. A little over a year later, Secretary Benson emphasized two things in a speech to the USDA attachés assembled in Paris: they were again employees of USDA, and at the same time were to "function as a part of the working team of our embassies where you serve." It is however indicative of the degree to which relations had sunk that a still-in-effect 1954 memorandum of understanding between USDA and State, signed by Assistant Secretary of Agriculture Earl Butz and Under Secretary of State Loy Henderson, specifies that State shall not obstruct



communications between an agricultural attaché and USDA headquarters. ("Problems of the Present Agricultural Attache Arrangement with the Department of State", memorandum by Fred J. Rossiter, January 26, 1954; "The Eyes, Ears, and Voice of Agriculture Abroad", speech by Secretary of Agriculture Ezra Taft Benson before the Agricultural Attaches, Paris, France, September 7, 1955, USDA 2266-55; letter from Pauline Moore-Langdon to FAS Administrator Timothy J. Galvin, July 14, 2000)

<sup>78</sup> Secretary's Memorandum No. 1320, dated January 21, 1953, reassigned OFAR from the Office of the Secretary to the Assistant Secretary for Research, Extension and Land Use. Less than two months later, on March 10, 1953, Supplement 1 of Memorandum 1320 abolished OFAR, created the Foreign Agricultural Service, and designated Romeo Short as "director". Supplement 2 of Memorandum 1320, dated September 18, elevated Short to assistant secretary status, designating him "Assistant Secretary for Foreign Agricultural Service." Short resigned in October, and this was recorded in Supplement 3 of Memorandum 1320, dated October 7, in which FAS was assigned to the assistant secretary for Commodity and Marketing Adjustment, John H. Davis. Thus FAS was once headed by an assistant secretary, but only for about two weeks. Subsequent documents refer to the head of FAS as "administrator", the title reserved for all heads of USDA agencies except those inherited from the Department of the Interior, which are led by "chiefs".

<sup>79</sup> Public Law 83-690 of August 28, 1954. Art Minor, who had become FAS's assistant administrator for management, was pivotal in the drafting and passage of this bill. (Letter from Pauline Moore-Langdon to FAS Administrator Timothy J. Galvin, July 14, 2000)

<sup>80</sup> USDA (1960). Among the individuals known to have been involved in the post-war occupation of Germany, Marshall Plan, or Berlin airlift who later were affiliated with FAS were Gwynn Garnett (whose biography is synopsisized below), William Lodwick, a WWI Marine Corps veteran who from 1950 to 1951 was the agricultural consultant to the U.S. military high command in Germany; Gordon Fraser, a WWII veteran who "from 1945 to 1946 was associated with food and agriculture operations of the Department of the Army" in Washington and Germany; and Paul Quintus, who was detailed to the Army 1946-1949 and served in Stuttgart, Berlin and Frankfurt. (USDA press releases 1651-54, "William G. Lodwick Appointed FAS Administrator", dated June 28, 1954; 347-56, "Gordon O. Fraser Named Assistant Administrator of Foreign Agricultural Service", dated February 1, 1956; 818-55, "Lodwick Named U.S. Agricultural Attache to Mexico; Garnett New FAS Administrator", dated April 4, 1955; biographic statements inserted in hearings on USDA appropriations for 1956 before the Committee on Appropriations) Press release 1651-54 mentions William Lodwick's son, Seeley Lodwick, who a generation later served as Under Secretary of Agriculture for International Affairs and Commodity Programs in the first Reagan Administration.

<sup>81</sup> Private communication between FAS retiree John Montel and the author, February 17, 2003, and Howard (1989), p. 26.

<sup>82</sup> Swanson (2003) and Howard (1989), p. 3

<sup>83</sup> Secretary's Memorandum 1320, Supplement 4, dated November 2, 1953, page 4

<sup>84</sup> Telephone interview with FAS retiree Charles Delaplane, February 15, 2003. Transfer of the general sales manager and Barter and Stockpiling Division to FAS was announced by Secretary's Memorandum No. 1446 on February 24, 1961, and made effective April 24, 1961. In this same memorandum, the creation of the Economic Research Service was announced, and effective April 3, 1961 FAS lost to it the Foreign Agricultural Analysis Division, "part of the Trade Policy Division, including the International Monetary Branch, Trade Statistics Branch" and "related and supporting activities."

<sup>85</sup> The complete administrative history of the Foreign Agricultural Service and its predecessor agencies in USDA can be found on the website of the National Archives at [www.archives.gov](http://www.archives.gov). Search for record group 166 in the Research Room.

<sup>86</sup> Memorandum from FAS Administrator Raymond A. Ioanes, "Program Planning System for the Attache Service", dated July 21, 1972

<sup>87</sup> Navy (2002)

<sup>88</sup> Ibid.

<sup>89</sup> The Knowledge Management Staff is the re-engineered Reports Office, now focusing on agency-level information and knowledge management rather than mere receipt, archival, and distribution of field reports.

<sup>90</sup> Schedule B positions are non-career, time-limited appointments in the Excepted Service.





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<sup>91</sup> Howard (1989) provides a fuller description of the origin of this, the “market development cooperator program.”

<sup>92</sup> Since foreign service promotions are made independently of the position the officer occupies, a GS-14 position for example represents a promotion opportunity only to a GS-13, not necessarily to an FS-03.

<sup>93</sup> Howard (1989), p. 65

<sup>94</sup> Navy (2002), p. 9

<sup>95</sup> Two reviewers asserted that writing skills are a problem across the entire agency, not merely in the attaché service. One pointed out that by the time someone reaches GS-13, it is too late to teach that person how to write. Another wrote, “...writing is a problem agency-wide, and seems to be a generational problem that is not possible to fix without extensive retraining.”

<sup>96</sup> Reference here is specifically to the four corporate culture models found in Daft (2001), pp. 319-321.

<sup>97</sup> John Montel was hired as an assistant attaché for posting to Rome in 1950, and retired from FAS in 1983 at the rank of minister-counselor.

<sup>98</sup> Private communication between John Montel and the author, February 17, 2003.

<sup>99</sup> Johnson (1950) provides the specific qualities OFAR desired. One of the several reasons the attachés were retrieved from State Department, however, was State’s occasional decisions to hire someone as an agricultural attaché OFAR did not approve.

<sup>100</sup> This is implied by existence of the memo by Fred Rossiter cited above, in which he is identified as assistant administrator for foreign service and agricultural analysis. However, John Montel advises that Rex Johnson was the first head of this program area and Fred Rossiter was his deputy. The author has so far found no attestation to this in the documentation. (Personal communication from John Montel to the author, February 27, 2003) Art Minor had been an assistant to Secretary Benson for budget issues, and was handpicked to expand the old OFAR’s management operation so it could handle the broader responsibilities of FAS.

<sup>101</sup> A memo by Fred J. Rossiter, FAS Assistant Administrator for “Foreign Service and Agricultural Analysis”, listed five reasons for the attachés to be returned to USDA. They were budgetary concerns (State was cutting attaché numbers when the need for more coverage was crucial), lack of a career path for agricultural officers, lack of USDA influence on assignments and transfers, lack of USDA influence on promotions of attachés, and lack of USDA control of the reporting program after a June 1951 executive order gave State sole authority over economic reporting from overseas posts. (Fred J. Rossiter, “Problems of the Present Agricultural Attache Arrangement with the Department of State”, January 26, 1954)

<sup>102</sup> FAS Operations Memorandum No. 9, June 29, 1955, “Reassignment of FAS Functions”

<sup>103</sup> Administrative Assignments, June 1955

<sup>104</sup> See, for example, Johnson (1950), pp. 3-4

<sup>105</sup> Kempton wrote, “Experience shows that the end users would rather have an incomplete report on time than a full report six months late. Each report will have to be considered on its merit...Reports, in addition to being factual, should give the end user the background he needs to visualize situations and interpret the facts.” Kempton (date unknown)

<sup>106</sup> Letter from Pauline Moore-Langdon, former deputy personnel director of FAS, to Administrator Timothy J. Galvin, July 14, 2000.

<sup>107</sup> Mayer (1983), p. 108

<sup>108</sup> Howard (1989), p. 9 and National Archives Website, [www.archives.gov](http://www.archives.gov), Reading Room, record group 354. These functions were moved to the Economic Research Service and the Statistical Reporting Service by Memorandum 1446 of April 3, 1961, Supplement 1.

<sup>109</sup> Navy (2002), p. 10

<sup>110</sup> Ibid, p. 11

<sup>111</sup> Swanson (2003)

<sup>112</sup> Howard (1989), p. 26

<sup>113</sup> In the U.S. Government personnel system, an economist (GS-110) is considered a professional as specific academic qualifications must be held. No qualifications are needed to be hired as an agricultural marketing specialist (GS-1146), so they are not considered professionals.





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<sup>114</sup> Administrator Smith also changed the professional recruitment profile for the agency. During his tenure, the agency began again to require a master's degree in agricultural economics for the professionals, though exceptions were made for particularly outstanding holders of bachelor's degrees. Before that time, other disciplines had been accepted and indeed encouraged, particularly business and public administration, so long as the degree holders had the minimum 21 semester hours of economics and 3 hours of calculus or statistics the Office of Personnel Management requires. Administrator Smith sought to return FAS professionals to their agricultural roots, from which he and other senior managers saw the agency professionals drifting. (Private communication from Philip Holloway to the author, February 20, 2003.) This policy was reversed in the 1990's.

<sup>115</sup> One FAS retiree interviewed for this project went so far as to say that by the late 1970's the assistant administrator for commodity and marketing programs was more powerful than the administrator.

<sup>116</sup> USDA (1997), section 5.2.2, second paragraph

<sup>117</sup> In fairness to the surplus disposal subculture, there is no question that surplus disposal weighed heavily on the minds of the drafters of both P.L. 480 and P.L. 83-690. The driving in force in Congress for returning the attachés to USDA and beefing up FAS was unquestionably the problem of huge production surpluses. It is also a fact that the agricultural depression of the 1920's, caused by surpluses of production, was a major factor in Congress's decision to create the original Foreign Agricultural Service in 1930.

<sup>118</sup> Administrator Garnett was a corn, hog and cattle farmer from Iowa who served as an Army captain in World War II. He commanded a tank company, then joined Eisenhower's headquarters at Frankfurt after the war as an agricultural officer due to both his agricultural education at Iowa State College and his prior service as assistant director of economic research for the Farm Credit Administration in Omaha. At Eisenhower's headquarters he was appointed director of the Food and Agriculture Division of the Office of Military Government for West Germany under General Lucius Clay, and later was dual-hatted as Food and Agriculture Adviser to the U.S. High Commissioner in West Germany. It was in these capacities that Administrator Garnett was a major participant in organizing the Berlin Airlift of 1948. In 1950 he went to work for the American Farm Bureau Federation as a legislative liaison, where he began drafting the bill that eventually became Public Law 480. On April 4, 1955 he was appointed Administrator of FAS, succeeding William Lodwick. (USDA press release "Lodwick named U.S. agricultural attache to Mexico; Garnett new FAS administrator", dated April 4, 1955; Howard (1989); Swanson (2003).)

<sup>119</sup> Howard (1989) notes that the early history of FAS was tightly bound with the American Farm Bureau Federation ("Farm Bureau"), America's largest farmer organization, and states that three early FAS administrators came from that organization. The first "director" of FAS, Romeo E. Short, was a former vice president of the Farm Bureau, and Gwynn Garnett was of course briefly an employee of the Farm Bureau. The author has not yet determined who the third administrator from the Farm Bureau was.

<sup>120</sup> Kempton (undated), p. 18. The Production and Marketing Administration was reorganized into the Commodity Stabilization Service by Secretary's Memorandum No. 1320, Supplement 4, dated November 2, 1953. The Commodity Stabilization Service was in turn reorganized into the Agricultural Stabilization and Conservation Service by Secretary's Memorandum No. 1446, Supplements 2, 3 and 4 of April 19, 1961, September 21, 1961, and November 22, 1961, respectively.

<sup>121</sup> Notice General No. 305, dated June 28, 1955, and Notice General No. 308, dated July 14, 1955 of the Commodity Stabilization Service, USDA. Copies of both documents reside in the Special Collections of the National Agricultural Library at Beltsville.

<sup>122</sup> For example, an undated memorandum in the attaché service historical files lists attachés who joined the attaché service from "other agencies", including three from OGSM and one from EMS. As recently as the late 1980's Export Credits was commonly called "OGSM" within FAS, and that part of the popular culture did not wane until the general sales manager's office was physically moved from the fourth floor to the FAS administrator's fifth-floor suite. In part this was because the General Sales Manager sign still hung outside the GSM's office until the office was moved.

<sup>123</sup> Secretary's Memorandum 1446, Supplement 2, dated April 19, 1961. Additional detail is provided in ASCS Administrator's Memo No. 8 dated November 6, 1961, "Working Agreement With FAS" regarding the division of responsibilities in conducting export policies and operations.



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<sup>124</sup> Much of this to-and-fro movement of the general sales manager was directly linked to partisan politics, and in particular to the wishes of the chairman of the House Agricultural Appropriations Subcommittee, Rep. Jamie Whitten (D-Mississippi).

<sup>125</sup> The surplus disposal subculture is largely neutral on the question of how much commodity should be disposed of. The marketing culture is more deeply engaged in that determination. The surplus disposal culture today is typically more concerned that the quantity approved be moved expeditiously and in accordance with legal and regulatory requirements. In addition, Kerry Reynolds, a retired Export Credits division director, pointed out to the author that in the 1980's and 1990's the "vast majority" of his division's time was spent trying to move high-value and value-added commodities to the commodity export credit guarantee program, and not on surplus disposal per se. (Private communication from Kerry Reynolds to the author, March 2, 2003)

<sup>126</sup> Memorandum of Agreement Between Extension and OFAR, dated October 26, 1951. Today FAS's ICD program area reports, "In June 1950 Title IV of the Foreign Economic Assistance Act of 1950 authorized President Truman's Point IV Program (proposed as the "fourth point" in his inaugural address of 1949). The Point IV Program promoted the exchange of U.S. technical knowledge and skills, both public and private, with less developed countries and encouraged the flow of investment capital overseas. The State Department established the Technical Cooperation Administration (TCA) to administer Point IV programs. TCA vested USDA's Office of Foreign Agricultural Relations (OFAR) with coordination and management of TCA's agricultural technical assistance and training activities. By 1952, USDA was furnishing technical assistance to 38 countries." (USDA, 2001) A list of "Point IV Field Personnel" dated October 26, 1953 is held by the National Agricultural Library Special Collections under call number IX B2C(1), 1.3, OFAR 1939, 1950-53. The heavy technical assistance workload of that period was further substantiated in a letter from Pauline Moore-Langdon to FAS Administrator Timothy J. Galvin, July 14, 2000.

<sup>127</sup> On April 14, 1954 Acting Administrator Clayton Whipple signed a memorandum of agreement with the Foreign Operations Administration of the Department of State, later merged into the International Cooperation Administration, on "conduct of foreign economic and technical assistance programs." This memorandum cites a Presidential letter dated June 1, 1953 which turned over to the Foreign Operations Administration full responsibility for overseas technical assistance in all fields.

<sup>128</sup> "The Eyes, Ears, and Voice of Agriculture Abroad", address by Secretary of Agriculture Ezra Taft Benson before Agricultural Attaches, Paris, France, September 7, 1955, a.m. meeting, USDA 2266-55

<sup>129</sup> David Winkelmann advised that OICD was also part of FAS for about six months just as it was being created, and before it became a separate agency. He added that for some time thereafter OICD was supported administratively by the FAS personnel and management services units, until it could get its own administrative office operating. (Official communication from David Winkelmann to the author, February 27, 2003)

<sup>130</sup> These ERS country analysts, of course, had been in FAS until 1961!

<sup>131</sup> Most of this history was provided in an interview with Hal G. Wynne, Jr., February 12, 2003. The International Organization "Branch" appears on the Administrative Assignments list of January 20, 1954 under the Foreign Service Division, Assistant Administrator for Foreign Service and Trade Programs.

<sup>132</sup> The same breakout of responsibilities remains intact as of 2003. The international training branch became Food Industries Division, the technical assistance branch became Development Resources Division, the foreign-currency funded programs became Research and Scientific Exchanges Division, and the International Organization Affairs Staff was simply changed to a division.

<sup>133</sup> For example, no sooner was OICD created than FAS arranged to transfer the agricultural attaché viewed as responsible for the "Great Grain Robbery", who had been in a holding pattern for years, to that agency. Others followed over the years, not necessarily for doing anything wrong, but simply because someone in the FAS leadership didn't like them.

<sup>134</sup> In fact, nobody in FAS wanted the name changed, and even in OICD a significant number of employees opposed changing "FAS" to "IATS". FAS possessed a positive image with which many in OICD wanted





to be associated, and FAS employees saw no reason to throw away the brand name of a reputation built up over decades of hard work.

<sup>135</sup> Years after the merger, the staff of the international cooperation and development program area continued to insist that the annual FAS picnic be billed as the “FAS/ICD” picnic. Ten years after the merger, the sign marking the OICD administrator’s office still hangs in the hallway outside the ICD front office, though it has been relabeled to reflect the reduced status of the position.

<sup>136</sup> Ibid., ref. 128, p. 7

<sup>137</sup> Howard (1989), p. 77. Howard contends that the divisions were merged to justify upgrade of the division director positions to senior executive service positions, and this is partly correct. A major, possibly the main, impetus for this move was the need to create more SES-level positions in Washington to which high-ranking returning attachés could be assigned. It is worth noting that in every case, the division director promoted into the SES was from the “foreign commodity analysis” side, another snub to the marketing specialists. This is why, until a new policy went into effect in the 1990’s mandating rotation of acting responsibilities, the deputy director for marketing in a commodity division was considered senior to the analysis deputy director and invariably acted for the director in the latter’s absence.

<sup>138</sup> The “lockup commodities” are those commodities which undergo the monthly “lockup” process chaired by USDA’s World Agricultural Outlook Board to ensure that Departmentally approved estimates and forecasts are released in a manner which will not disrupt the commodity markets. The most important of them are grains, oilseeds, and cotton. In recent years FAS has returned production analysis to the commodity divisions for dairy, livestock, poultry, forestry, horticultural, and tropical products, which are not subject to lockup. In part this was done to facilitate shifting of staff resources from analysis to marketing, but would not have been possible if the divisions responsible for those commodities were not trusted to generate unbiased production estimates on their own. (Telephone interviews with Willie Brooks, marketing specialist, Dairy, Livestock and Poultry Division, and Allen Vandergriff, director, Production Estimates and Crop Assessment Division, February 27, 2003)

<sup>139</sup> Some cooperators were not above advising newly assigned attachés that they did not work for FAS, they worked for the cooperators. In particularly notorious cases in the late 1970’s and early 1980’s, attaché assignments were curtailed when cooperators complained about an attaché being too diligent in his oversight functions. This led to a showdown at the December 10-12, 1984 regional attaché conference at Caracas between Administrator Richard Smith and the officers in Latin American posts. That event was followed by issuance of two memoranda from the administrator redefining the attaché-cooperator relationship: one directed to the attachés, and one directed to the cooperators (Memorandum from Administrator Richard A. Smith to all field officers, “Attaché performance evaluations”, dated January 4, 1985; Memorandum from Administrator Richard A. Smith to all market development cooperator chief executive officers, “Cooperator/FAS Field Relationships”, dated January 4, 1985)

<sup>140</sup> The agricultural trade offices were created by the Congress through the Agricultural Trade Act of 1979, at the urging of advocates rooted in the marketing subculture.

<sup>141</sup> See [http://www.spj.org/ethics\\_code.asp](http://www.spj.org/ethics_code.asp). The Society also provides a list of specific interpretations of the code of ethics.

<sup>142</sup> An example of this is the mantra, “Get the reports in on time, and let no visitor leave unhappy,” which is drilled into all outgoing attachés by force of habit even though OFAR has not existed for 50 years.

<sup>143</sup> Under current FAS policy, agency employees may attend the annual conference of the American Agricultural Economics Association at agency expense only if presenting a paper or moderating a session. Curiously, attendance is not viewed as having potential for career development or learning.

<sup>144</sup> Secretary’s Memorandum No. 1423, April 4, 1958, “Attendance at Professional Meetings”. “It is the Department’s policy to provide representation at meetings of scientific or professional societies for the purpose of giving or acquiring information relating to the work of the Department when such representation is necessary for the performance of the Department’s functions, or will further its authorized work.”

<sup>145</sup> Prior to consolidation of administrative functions in the Farm Service Agency, this task was largely handled by the assistant administrator (deputy administrator) for management.





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<sup>146</sup> Until the U.S. Information Agency was absorbed into State Department, however, it issued contracting officers' warrants to selected foreign service nationals.





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